

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, S71 1HG on Thursday, 28 July 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 666412
Email: grichards@sypa.org.uk

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Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

Distribution

Councillors: G Weatherall (Chair), R Bowser, S Clement-Jones, S Cox, M Havard and D Nevett.

Contact Details

For further information please contact:

Gill Richards
South Yorkshire Pensions Authority
Oakwell House
2 Beavor Court
Pontefract Road
Barnsley,
S71 1HG

Tel: 01226 666412

gichards@sypa.org.uk

AUDIT COMMITTEE TERMS OF REFERENCE

1. To fulfil the following core Audit Committee functions:
 - a) Consider the effectiveness of the Authorities 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 has been taken where necessary.
 - g) Receive the Annual Report of the Head of Internal Audit.
 - h) Consider the Annual Reports of External Audit and inspectors.
 - i) Ensure that there are effective relationships between Internal 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 report 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.
2. Monitor the Authority's Risk Register and Annual Governance Action Plan, reporting issues of concern to the full Authority.

SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

**THURSDAY, 28 JULY 2022 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT,
PONTEFRACT ROAD, BARNESLEY, S71 1HG**

Agenda: Reports attached unless stated otherwise

	Item	Pages
	<u>Committee Administration</u>	
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 3 March 2022	7 - 10
	<u>External Audit & Financial Reporting</u>	
7.	External Auditors Annual Report	11 - 44
8.	Letter of Representation	45 - 50
9.	Approval of the Statement of Accounts 2021/22	51 - 208
10.	Annual Report 2021/22 Please note: Due to its size the Annual Report will not be included in the agenda pack but will be available online here .	209 - 212
	<u>Internal Audit</u>	
11.	Internal Audit Annual Report 2021/22	213 - 232
12.	Internal Audit Charter 2021-24	233 - 248
13.	Internal Audit Progress Report	249 - 256

	Item	Pages
	<u>Audit Committee Operational Items</u>	
14.	Progress Update on Actions Arising from Audit Reviews	257 - 264

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SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

3 MARCH 2022

PRESENT: Councillor G Weatherall (Chair)

Councillors: D Fisher, D Nevett and N Wright

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

Officers: W Goddard, G Graham (Director), M McCarthy, G Richards, G Taberner (Head of Finance and Corporate Services) and R Winter (Head of Internal Audit, BMBC)

N Wright (Deloitte)

Apologies for absence were received from Councillor S Clement-Jones, Councillor C Rosling-Josephs and D Patterson

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

RESOLVED – That item 13 ‘Annual Procurement Report’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 21 OCTOBER 2021

RESOLVED – That the minutes of the meeting held on 21st October 2021 be agreed as a true record.

7 INTERNAL AUDIT PROGRESS REPORT 2021/22

A report was submitted that provided a summary of the Internal Audit activity completed, and the key issues arising from it, for the period 27th September 2021 to 13th February 2022.

Members noted that to date 57% of the planned days had been delivered. As in previous years the 2021/22 Plan was profiled more heavily towards the end of the year.

There had been two Plan changes during the period following consultation with management, with both pieces of work being deferred into 2022-23.:

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

It was noted that the following reports had been issued during the period with all receiving reasonable or substantial assurance opinions and there were no areas for concern.

- Pensions Administration – Data Quality Improvement Plan.
- Finance – Fund Contributions & Rechargeable Pensions.
- Corporate Services – HR Governance.
- Finance – Staff Payroll.

The report also included details of other Internal Audit work undertaken during the period and a summary of the audits in progress at the time of writing the report.

RESOLVED – That the report be noted.

8 INTERNAL AUDIT PLAN 2022/23

A report was considered which presented the draft Internal Audit Plan for 2022/23.

It was noted that the number of planned days in the indicative Plan for 2022/23 was 277 (including 17 days to complete reviews that commenced in Quarter 4 of 2021/22). This was a slight reduction of 14 planned days from the previous Plan.

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

The Plan provided a degree of standard audit coverage e.g. the Annual Governance Statement, risk management and DPO audit assurance. It was noted that the core financial systems audit was subject to further discussions.

Following approval of the draft Audit Plan by the Audit Committee, it would be subject to ongoing review throughout the year to ensure that it remained relevant and linked to the Authority's strategic objectives.

Progress against the Plan would be frequently monitored and reported regularly to the Audit Committee. Any amendments to the Plan would be agreed with the Director and Treasurer and reported to the Audit Committee.

RESOLVED – That Members:

- i) Approve the draft Internal Audit Plan for 2022/23 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.
- ii) Agree to 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 had materially varied from the original Plan.

9 EXTERNAL AUDIT PLAN 2021-22

N Wright presented Deloitte's Planning Report for the 2021/22 audits of South Yorkshire Pensions Authority and South Yorkshire Pension Fund.

Members noted the timetable of the audits contained within the report and that although the deadline had again been moved back to November 2022 it was still planned to sign off the audit in August.

The Committee was informed that the approach to materiality was in line with previous years and any areas of concern would be shared with the Committee.

Significant risks had been identified as:

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

A number of external factors were considered when deciding on significant audit risks and it was acknowledged that the report had been written before the current situation in the Ukraine had emerged.

A new area of audit focus had been the completeness of transfer following migration of the accounting system to Cloud Financials. G Taberner explained the procurement process and benefits of the transfer to the new system.

RESOLVED – That Members agree the external Audit Plan for the audits of the Authority and Fund for 2021/22.

10 AUDIT COMMITTEE ANNUAL REPORT

A report was considered which sought approval for the Committee's Annual report 2021/22.

The report outlined the Committee's roles and responsibilities, membership and attendance and work programme and was produced to support the process of assurance gathering required to produce the Authority's Annual Governance Statement.

RESOLVED – That Members 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 and the Chair.

11 PROGRESS ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

A report was considered which provided an update on the delivery of the Action Plan included in the Annual Governance Statement (AGS).

Appendix A to the report set out the actions arising from the last AGS. It was noted that, although progress had been made in all cases, not as much had been made as planned for reasons detailed within the report and therefore a number of tasks would be carried over into the next AGS.

RESOLVED – That Members note the progress being made on delivering the Action Plan that formed part of the 2020/21 Annual Governance Statement.

12 PROGRESS UPDATE ON ACTIONS ARISING FROM AUDIT REVIEWS

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.

The appendix to the report showed the status and progress being made on the outstanding actions, as well as the actions that had been agreed with timescales for future completion. There were no areas for concern.

RESOLVED – That Members note the progress being made on implementing the agreed management actions.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

13 ANNUAL PROCUREMENT REPORT

A report was submitted which provided members with an annual update in relation to various procurement issues in line with the requirements of Contract Standing Orders.

Details of contracts awarded were contained in the appendix and the report contained details of the review of Contract Standing Orders, the move to the new host for the Yortender platform and a schedule of training for staff.

RESOLVED – That the report be noted.

CHAIR



South Yorkshire Pensions Authority

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

Issued on 20 July 2022

Contents

01 Status report

- Executive summary 04
- Responsibilities of the Audit Committee 06
- Materiality 07

02 Significant audit risks

- Significant audit risks 09

03 Audit focus areas

- Audit focus areas 13

04 Other risks

- Other risks 20

05 Maintaining audit quality

- Maintaining audit quality 23
- Purpose of our report and responsibility statement 24

Topical Matters

25

Appendices

27





Status report

Executive summary

The key messages in this report (1/2)

Nicola Wright
Lead audit partner



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.

I have pleasure in presenting our Status Report to the South Yorkshire Pensions Authority Audit Committee for the 2021/22 audit of South Yorkshire Pensions Authority (the “Authority”) and South Yorkshire Pension Fund (the “Fund”).

Audit scope

Our reporting responsibilities as auditor of the Fund and Authority are to:

- Form an opinion on the statutory financial statements of the Fund and Authority. The financial statements are prepared under the Code of Practice on Local Authority Accounting 2021/22 (“the Code”) issued by CIPFA and LASAAC;
- 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;
- Satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Report to “those charged with governance” on certain additional matters, including any unadjusted errors over our reporting threshold (“RT”), our independence and any other issues we consider should be brought to their attention.

Status of the audit

Our audit work is currently ongoing, with review and quality processes underway. We have detailed the procedures still to be completed in Appendix 2 and will provide a verbal update at the meeting on 28 July 2022 on status.

Independence

We confirm we are independent of the Authority and Fund and that our objectivity has not been compromised for the year ended 31 March 2022.

Audit quality

We have 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. We are utilising specialists throughout our audit to support the robustness of our work in areas such as property valuations, IT and the IAS 19 valuation.

Executive summary

The key messages in this report (2/2)

Our conclusion

Our audit work is currently progressing towards completion. We will update you on the progress of the outstanding items during the meeting on 28 July 2022.

Russian invasion of Ukraine

The Russian invasion of Ukraine is impacting upon global financial markets. To date the most significantly affected investments have been those directly linked to Russia and Ukraine – government bonds issued by those countries and companies based there or with significant operations there. Many emerging markets funds also have some exposure to Russia.

As a result of this, we have reviewed the impact of this event during the course of our audit with a particular focus on valuation and liquidity risk, reputational risk and disclosure. We are satisfied that the impact on the Fund and any exposure to these investments is minor in nature.

Thank you

I would like to extend my thanks to Fund and Authority management for their assistance during the audit. The regular communication we have had with management and the use of technology is allowing us to continue to deliver the audit. We will update you verbally on the progress of the outstanding items during the meeting on 28 July 2022.

Responsibilities of the Audit Committee

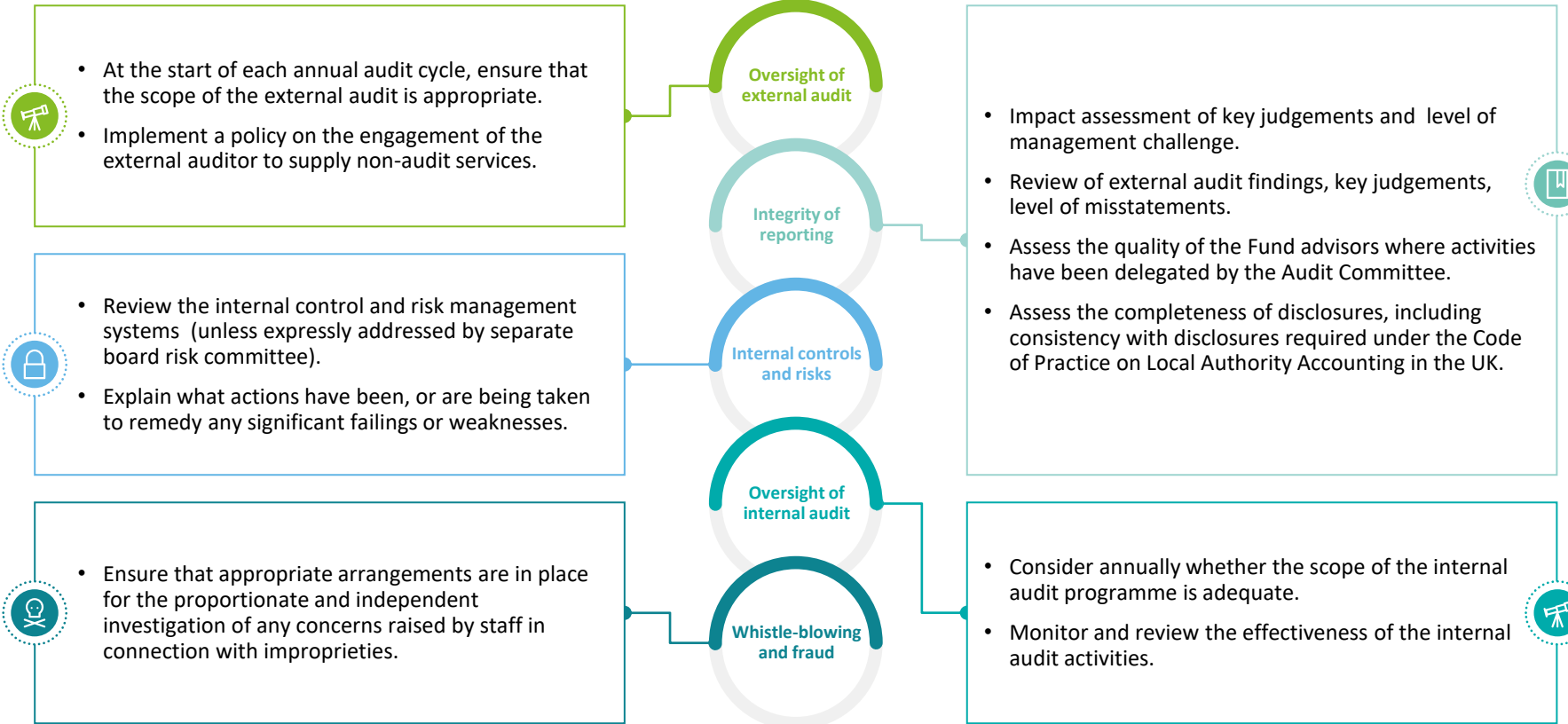
Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

Page 16



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 the Audit Committee in fulfilling its remit.



Materiality

Our approach to materiality – Fund

BASIS OF OUR MATERIALITY BENCHMARK

- We set materiality for our opinion on the financial statements as £106.7m (2021: £98.6m), based on professional judgement, the requirements of auditing standards and the net assets of the Fund. These figures are based on the 31 March 2022 draft financial statements.
- We have used 1% of Fund net assets as the benchmark for determining our materiality levels.

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

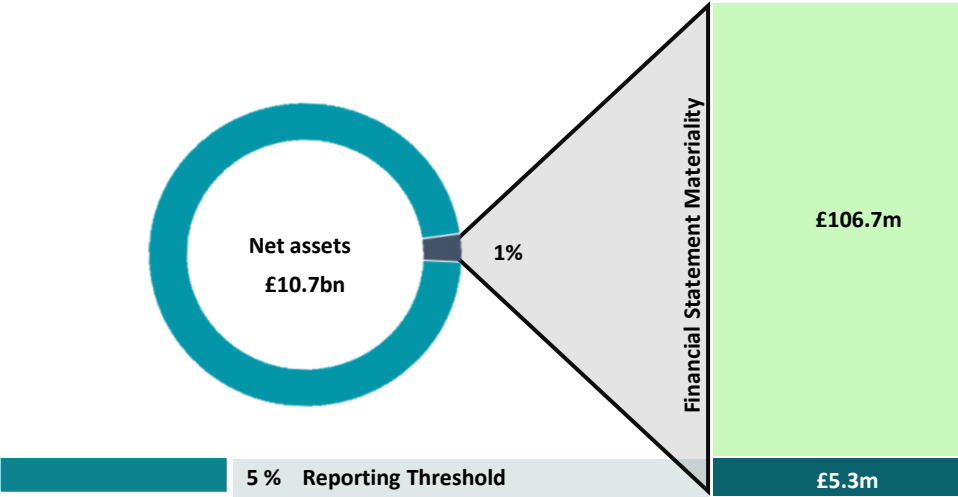
Page 17

REPORTING TO THOSE CHARGED WITH GOVERNANCE

- Within this report, as part of our audit of the financial statements, we communicate all misstatements found in excess of our reporting threshold (“RT”) of £5.3m. This threshold is set at 5% of our materiality level above.

MATERIALITY CALCULATION

Although materiality is the judgement of the audit partner, the Audit Committee 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

- We set materiality for our opinion on the financial statements as £127k (2021: £117k), based on professional judgement and the requirement of auditing standards. These figures are based on the 31 March 2022 draft financial statements
- We have used 2% of gross expenditure per the 31 March 2022 draft financial statements as the benchmark for determining our materiality levels.

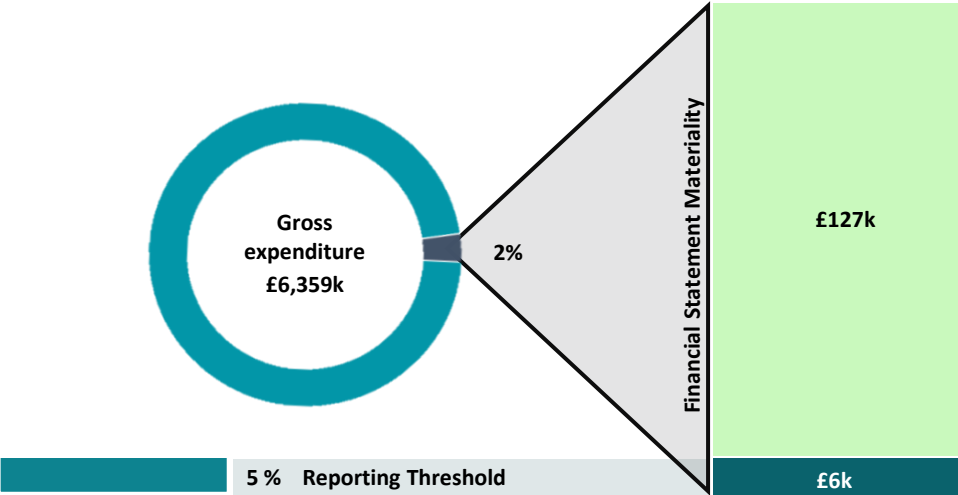
The basis for our materiality calculations is the same as the previous year.

REPORTING TO THOSE CHARGED WITH GOVERNANCE

- Within this report, as part of our audit of the financial statements, we communicate all misstatements found in excess of our reporting threshold (“RT”) of £6k. This threshold is set at 5% of our materiality level above.

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.





Significant audit risks

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 financial year, the accounting system was upgraded to Advanced 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 20.



Response of those charged with governance

- The financial reporting process in place has an adequate level of segregation of duties.



Deloitte comment

We are finalising our testing in this area.

We have not identified any issues over the segregation of duties in place at the Fund or Authority or identified any incentives for the accounting staff to misstate the Authority or Fund accounts.

As noted in Appendix 2, our journals testing for the Fund and review of accounting estimates for the Authority are ongoing.



Deloitte response and challenge

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

- made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- ensured that there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year;
- tested the design and implementation of controls around the investment and disinvestment of cash during the year; and
- performed a retrospective review of accounting estimates to assess the historic accuracy of management's estimates.

At the date of this report, the following procedures remain outstanding:

- complete our use of Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted across the Scheme. This uses intelligent algorithms that identify higher risk and unusual items;
- 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, indicated a possible bias on the part of management;
- substantively test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. As part of our work in this area, we perform an analysis of journal entries which enabled us to focus on journals meeting specific pre-determined parameters determined during our audit planning; and
- test the design and implementation of key controls in place around journal entries and key management estimates.

Significant risks

Valuation of directly held commercial property pinpointed to offices, retail and hotels – Fund



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 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 the second half of 2022, as more and more people are returning 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 have therefore been assessed as an audit focus area.

Significant risks

Valuation of directly held commercial property (offices) - Fund



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 comment

Our testing is ongoing in this area.

Our analytical review of individual property movements against comparable market indices over the year identified some properties which fell outside of our audit threshold. Our audit threshold is based on the value of the asset and our materiality levels. In addition, we highlighted one further property for further testing through our discussion with Deloitte Real Estate ('DRE').

In response to this, we engaged DRE to assist the audit team to review appropriate audit evidence, supporting the assumptions, approach and methodology adopted by JLL in respect of 6 properties. For all of the selected properties, DRE are performing an in-depth review of the assumptions, approach and methodology within the valuation. We are currently awaiting their report to conclude on this area.



Deloitte response and challenge

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

- assessed the reliability, competence and capabilities of JLL Limited;
- vouched 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;
- agreed 100% 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
- prepared an expectation of the year end valuation of each property held by the Fund/Authority using comparable regional market indices and compared the expectation to the valuation provided by JLL. For offices, hotels, retail and retail warehouses properties, where properties had a significant difference to our expected valuation we utilised 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;

At the date of this report, the following procedures remain outstanding:

- utilise DRE to risk profile the property portfolio to assess whether there are properties of audit interest and assessed the appropriateness of the methodology and assumptions used by JLL in the valuation of a sample of properties held in the office, retail and hotel sectors.
- assess the design and implementation of controls around the valuation of direct properties;



Audit focus areas

Audit focus areas – Fund (1/3)

Completeness and accuracy of contributions



Risk identified

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.



Deloitte response and challenge

We performed the following procedures to address this area of audit focus:

- reviewed the design and implementation of key controls over the contribution process; and
- performed 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.

At the date of this report, the following procedures remain outstanding:

- for a sample of active members, we 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;
- test that the correct definition of pensionable salary is being used per the LGPS Regulations to calculate contribution deductions; and
- for a sample of monthly contributions paid, checked that they have been paid within the due dates per the LGPS Regulations.



Conclusion

We are finalising our testing in this area.

Audit focus areas – Fund (2/3)

Completeness of investment transactions and valuation of alternatives



Risk identified

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.

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 2022 these totalled c.£2.3bn. These funds do not have publicly available prices and are often infrequently priced increasing the risk of stale pricing.



Deloitte response and challenge

We performed the following procedures to address this area of audit focus:

- reviewed the design and implementation of key 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. We are currently awaiting the Border to Coast review;
- reviewed the design and implementation of key controls over the completeness and valuation of investments performed by the in-house investment team;
- agreed the year end valuations as reported in the financial statements to the reports received independently from the investment managers;
- agreed registered funds and directly held investments to publicly available prices;
- ensured appropriate stale price adjustments have been posted to the financial statements; and
- obtained 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).

At the date of this report, the following procedures remain outstanding:

- 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. There are 9 remaining queries outstanding on a sample of 49; and
- test the completeness of investments by agreeing a sample of sales and purchases transactions to the investment manager confirmations and to the bank statements.



Conclusion

We are finalizing our testing in this area.

The alternative investments are often subject to stale pricing, due to infrequent pricing. Most of these investments were included in the 31 March 2022 draft financial statements at 31 December 2021 prices. Accounting standards allow stale pricing, provided no more up-to-date information is available. During our testing, we identified an immaterial stale price adjustment of £9.5m.

Audit focus areas – Fund (3/3)

Valuation of directly held agricultural and commercial property not held in offices, retail and hotels



Risk identified

There is a risk that directly held agricultural property and commercial property not held in offices, retail and hotels are not held at fair value as the valuation of these investments includes an element of judgement on the part of the chartered surveyor appointed by the investment manager.



Deloitte response and challenge

Our procedures to assess this risk included:

- prepared an expectation of the year end valuation of each property held by the Scheme using comparable regional market indices and comparing the expectation to the valuation provided by JLL. Where properties have a significant difference to our expected valuation we will refer them to DRE;
- assessed the design and implementation of controls around the valuation of direct properties;
- vouched 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;
- confirmed directly with the Fund's legal advisers that the title deeds are held for all properties; and
- assessed the reliability, competence and capabilities of JLL.



Conclusion

We have not identified any issues to report to the Audit Committee as a result of our audit testing.

We are currently awaiting responses from JLL to queries, and will report to you if any matters arise that we believe should be brought to the attention of the Audit Committee.

Audit focus areas – Fund and Authority (1/1)

Completeness of transfer following the migration of accounting system to Advanced Financials



Risk identified

During the 2021/22 year, the accounting system was upgraded to Advanced 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.



Deloitte response and challenge

Our procedures to assess this risk include:

- review the design and implementation of key controls over the migration process;
- perform a walkthrough of the financial reporting process to identify the controls over journal entries and other adjustments posted in the preparation of the financial statements following the accounting system migration to Advanced Financials;
- review the specific accounting system migration controls and gain assurance over the accuracy and completeness of Fund and Authority general ledger balances following the migration;
- involve our IT specialists in the review of the migration process; and
- review the reconciliation of balances report to ensure completeness of transfer.



Conclusion

We are finalising our testing in this area.

Audit focus areas – Authority (1/2)

Valuation of pension liability



Risk identified

The net pension liability is a material element of the Authority's balance sheet. The actuarial valuation of the liability 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 has been a change in actuary from Mercer to Hymans Robertson in the current year.



Deloitte response and challenge

Our procedures to assess this risk include:

- obtaining an understanding of the design and implementation of the key controls in place in relation to review of the assumptions by the Authority;
- evaluating the competency, objectivity and independence of Hymans Robertson, the actuarial specialist;
- reviewing the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used;
- evaluating the roll forward approach used by the actuary to ensure that this is appropriate;
- reviewing the pension related disclosures in the financial accounts; and
- ensuring the pension assets and membership information is consistent with those as per the Pension Fund financial statements.



Conclusion

We are awaiting the final report from our internal actuarial specialist, however we have not identified anything to bring to the attention of the Audit Committee at this time.

Audit focus areas – Authority (2/2)

Value for Money ('VfM')



Risk identified

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:

- 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);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- 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;
- 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
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Page 29



Deloitte response and challenge

Our procedures to assess the risk included the following:

- Holding meetings with the Head of Finance and Corporate Services and Director;
- Reviewing the draft Annual Governance Statement;
- Considering other issues identified through our other audit work;
- Gaining an understanding of the arrangements around the implementation of the new finance system; and
- Considering the Authority's and Fund's results for the financial year.



Conclusion

Our Value for Money work is ongoing, and will be reported in our Auditor's Annual Report, which we will issue following completion of our work.

01

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Other risks

Other risks (1/1)

Other risk	Area of Focus	Risk and procedures
Going Concern	As auditors, we are required to confirm in our audit report that the going concern basis of the financial statements is appropriate.	<p>Our testing to address this risk included:</p> <ul style="list-style-type: none"> • Examined the latest publicly available information regarding the financial position of the principal employer; • Analysed the latest funding position of the Fund; and • Reviewed minutes of key meetings.
Fraud	In our Audit Report in the financial statements we are required to directly report on the extent to which the audit was considered capable of detecting irregularities, including fraud and other matters of non-compliance with laws and regulations.	<p>Our testing to address this risk included:</p> <ul style="list-style-type: none"> • Performed procedures to assess the risk of management override as detailed on page 10; • Reviewed the controls in place surrounding fraud risks including disinvestments; • Agreed 95.9% of investments to third party investment confirmations; • Reviewed the financial statement disclosures by testing to supporting documentation to assessing compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements; • Performed analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; • Enquired of the Audit Committee and pension and authority management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and • Reviewed minutes of Audit Committee meetings and reviewed correspondence with the Pensions Regulator.
GMP Equalisation	The High Court judgement on 26 October 2018 confirmed that UK pension schemes should provide equal benefits for men and women for service from May 1990 despite inequalities in GMP legislation. In November 2020, it was also ruled that Schemes must revisit, and where necessary, top-up historic transfer values which have been calculated on an unequal basis.	<p>Our planned testing to address this risk includes:</p> <ul style="list-style-type: none"> • Confirming with the Fund Actuary any changes in the assessment of the impact of GMP Equalisation on the Fund, impact of the transfers ruling; and • Confirmed that appropriate disclosures have been made in the financial statements.



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Maintaining audit quality

Maintaining audit quality

Responding to challenges in the current audit market



This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

<p>The role of audit</p>	<ul style="list-style-type: none">Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability)Deloitte fully supports an independent review into the role of auditorsThe Government's Brydon Review will consider UK audit standards and how audits should evolve
<p>Would it be better to have audit only firms?</p>	<ul style="list-style-type: none">Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit.Our investment in audit innovation, training and technology is greater because of the multidisciplinary model
<p>Is the current audit market uncompetitive?</p>	<ul style="list-style-type: none">We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholdersThere are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tenderingThe audit profession has engaged with the Competition and Markets Authority with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies
<p>Independence and conflicts from other services</p>	<ul style="list-style-type: none">Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clientsDeloitte invests heavily in systems, processes and people to check for potential conflictsWe have governance in place to assess any areas of potential conflict, including where required to protect the public interestFees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)
<p>Deloitte</p>	<ul style="list-style-type: none">Deloitte and Audit Service Line leadership are happy to meet the Audit Committee and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interestOur Impact Report and Transparency Report are available on our website https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.htmlOur response to the latest AQR report was provided in our planning report.



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 help the Audit Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations.
- Our internal control observations.
- Other insights we have identified from our audit.

the scope of our work

Our observations are developed in the context of our audit of the Fund and Authority accounts.

We described the scope of our work in our audit plan circulated to you on 21 February 2021.

Use of this report

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.

What we don't report

As you will be aware, our audit was 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, our views on internal controls and Scheme risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the Fund accounts and the other procedures performed in fulfilling our audit plan.

Other relevant communications

Our topical matters 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.

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 | 20 July 2022

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Topical Matters

Key audit matters

Topical matters

New, consolidated and simplified enforcement policy and updated prosecution policy published by TPR



KEY DETAILS

On 4 May 2022, The Pensions Regulator (TPR) published for consultation its new, consolidated and simpler draft enforcement policy and an updated prosecution policy to help stakeholders understand the regulator's approach.

The enforcement policy simplifies and consolidates previous policies for public sector and occupational pension schemes of all types i.e. defined benefit, hybrid and defined contribution pension schemes. Both policies have been updated to include the new powers granted to the regulator in the Pensions Schemes Act 2021 and to reflect knowledge and experience gained by TPR using the existing enforcement powers. The principal aim is for TPR to be clearer about all its enforcement powers through more streamlined policy documents.

The new powers aim to strengthen the TPR's regulatory framework, allowing it to gather evidence more efficiently and respond to events or conduct that could affect schemes. The Pensions Scheme Act 2021 also introduced several sanctions and deterrents against conduct that could put members' pensions at risk or impede the regulator's investigations. **Deloitte have previously provided a topical update slide on the The Pensions Scheme Act 2021 and this can be provided again on request.**

Speaking about the policy updates David Fairs, TPR's Executive Director of Regulatory Policy, said: "We want to be clear with the pensions industry about our approach to enforcement and prosecution. With our new powers to help us ensure savers' money is secure, we felt it was timely to review our existing policies and consolidate them where possible, so they are easier to navigate. These two policies explain what targets or those affected by enforcement action should expect from TPR, from the point of our opening an investigation through to the conclusion of any enforcement action. We've simplified, consolidated and clarified the way in which our regulated community accesses important information about enforcement."

Enforcement policies for automatic enrolment, master trust authorisation and upcoming CDC schemes are not included in new draft enforcement and prosecution policies discussed above.

Deloitte view: The above consultation closed on **24 June 2022**. The Audit Committee should familiarise themselves with the draft policy documents and the powers available to the TPR around enforcement and prosecution and consider responding to the consultation should they consider this appropriate to do so.

Article source: TPR website

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Appendices

Key audit matters

Appendix 1: Audit Adjustments - Fund

Uncorrected audit adjustments

Detail	Debit/ (credit) Fund Account £m	Debit/ (credit) Net Asset Statement £m
Uncorrected [1] Stale price adjustment alternative investments	(9.6)	9.6
Total	(9.6)	9.6

Corrected disclosure deficiencies

No significant disclosure deficiencies identified.

Appendix 1: Audit Adjustments - Authority

Uncorrected audit adjustments

Detail	Debit/ (credit) CIES £m	Debit/ (credit) Balance Sheet £m
<p>No uncorrected misstatements have been identified through the testing completed to date</p>	-	-

Page 39

Corrected disclosure deficiencies

No significant disclosure deficiencies identified to date

Appendix 2: Outstanding items

Items outstanding at the date of issue of this report

Our final opinion is subject to completion of these items.

<u>FUND</u>	<u>AUTHORITY</u>
<ul style="list-style-type: none"> Finalisation of our design and implementation procedures on contributions, benefits and investments 	<ul style="list-style-type: none"> Pension liability: Receipt of Deloitte Actuary review of the IAS 19 report
<ul style="list-style-type: none"> Investments: Finalisation of alternatives valuation testing 	<ul style="list-style-type: none"> Pension liability: Finalisation of our design and implementation procedures on the IAS 19 reports
<ul style="list-style-type: none"> Investments: Receipt of results of detailed assessment of a sample of directly held properties from DRE 	
<ul style="list-style-type: none"> Investments: Final reconciliation of sales and purchases to third party confirmations 	
<ul style="list-style-type: none"> Investments : Procedures identified on page 15 of this report. 	
<ul style="list-style-type: none"> Investments: Procedures identified on page 12 of this report. 	
<ul style="list-style-type: none"> Investments: finalisation of existence testing (receipt of remaining investment manager confirmations) 	
<ul style="list-style-type: none"> Management override of controls: Completion of journals testing and related D&I 	<p><u>BOTH</u></p>
<ul style="list-style-type: none"> Membership data testing 	<ul style="list-style-type: none"> Completion of migration of Integra to Advanced Financials
<ul style="list-style-type: none"> Contributions: Finalisation of payslip testing 	<ul style="list-style-type: none"> Completion of journals testing
<ul style="list-style-type: none"> Contributions: Finalisation of due date testing 	<ul style="list-style-type: none"> Satisfactory completion of our post year-end events review
<ul style="list-style-type: none"> Benefits: Finalisation of detailed lump sum testing 	<ul style="list-style-type: none"> Finalisation of our internal quality control procedures
<ul style="list-style-type: none"> IAS 26: Receipt of DTRB review of the IAS 26 report 	<ul style="list-style-type: none"> Partner, quality and technical review
	<ul style="list-style-type: none"> Receipt of signed management representations letter
	<ul style="list-style-type: none"> Going concern review

Appendix 3: Our other responsibilities explained

Fraud responsibilities



Your responsibilities:

- The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, 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 pinpointed to offices, retail and hotels as a key audit risk within the Fund, and management override of controls for both the Fund and the Authority.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations



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.



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 entity.
- Management's communication, if any, to the Trustee regarding its processes for identifying and responding to the risks of fraud in the entity.
- 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 entity.
- 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 entity, and to obtain its views about the risks of fraud.



The Audit Committee

- How the Audit Committee exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity 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 entity.
- The views of the Audit Committee on the most significant fraud risk factors affecting the entity.

Appendix 4: 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:**

Independence confirmation

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.

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 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.

Page 42
Fees

Our initial audit fee for the year ended 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, and which also needs to take into account the revised approach to Value for Money reporting in the current year.

The above fee 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.

Non-audit services

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.

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.

Ethical Standard 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 will be 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.

Appendix 5: Value for Money deadline extension

Letter to the Audit Committee highlighting Value for Money deadline extension

Dear Audit Committee

The National Audit Office issued guidance to auditors on 14 December 2021 setting out the timetable for completion of work on arrangements to secure value for money for 2021/22. This extended timetable reflected the impact of the ongoing pandemic on preparers and auditors of accounts. Therefore we have not yet issued our Auditor's Annual Report, but we expect to do so no later than September 2022. Under the 2020 Code of Audit Practice, we are required to provide this letter setting out the reasons for the Auditor's Annual Report not being issued at the same time as the audit opinion.

Yours faithfully


Nicola Wright
Partner



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Subject	Letter of Representation 2021/22	Status	For Publication
Report to	Audit Committee	Date	28 July 2022
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Will Goddard Financial Services Manager	Phone	01226 666421
E Mail	wgoddard@sypa.org.uk		

1 Purpose of the Report

- 1.1 To seek Members' approval of the Treasurer's formal letter to the Auditor giving representations regarding the information in the Statement of Accounts for 2021/22, as set out in the Accounts and Audit Regulations 2015.
-

2 Recommendations

- 2.1 Members are recommended to:
- a. Authorise the Chair of the Audit Committee to sign the Letter of Representation on behalf of the Authority.**
-

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.

The Letter of Representation is a requirement of the audit process and includes a confirmation that the Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report address the risk identified in the Corporate Risk Register that the Authority fails to meet specific regulatory requirements.

5 Background and Options

- 5.1 As part of the external audit process, the auditor, Deloitte, is required to obtain representations from the Authority as part of their audit process. The auditor requests

a letter of representation that includes assurances on specific items and is signed on behalf of the Audit Committee.

- 5.2 This letter will include the following statements:
- a. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
 - b. 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.
 - c. We are not aware of any fraud or suspected fraud in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - i. Management;
 - ii. Employees who have significant roles in internal controls; or
 - iii. Others where the fraud could have a material effect on the financial statements.
 - d. We have disclosed to you all information in relation to allegations of fraud or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.
- 5.3 The Letter of Representation should be approved by the Audit Committee and signed by the Chair of the meeting as well as by the Treasurer.
- 5.4 The draft Letter of Representation is attached at Appendix A. The audit work is still in progress and therefore this is subject to change if the auditor should require any further representations to be made as a result of their work.

6 **Implications**

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

Financial	None
Human Resources	None
ICT	None
Legal	The Letter of Representation includes confirmation that the Authority has fulfilled its responsibilities set out in the Accounts and Audit Regulations 2015.
Procurement	None

Neil Copley

Treasurer

Background Papers	
Document	Place of Inspection
-	-

Deloitte LLP
Nicola Wright
Audit Partner
Deloitte LLP
One Trinity Gardens
Broad Chare
Newcastle
NE1 2HF

Our ref: WG/LoR 2022
Your ref:
Direct Line: 01226 666421
Email: wgoddard@sypa.org.uk
Date: 28 July 2022

Dear Nicola,

South Yorkshire Pensions Authority and South Yorkshire Pension Fund

This representation letter is provided in connection with your audit of the financial statements of South Yorkshire Pension Authority (the “Authority”) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2022 and of the results of its operations, other comprehensive income and expenditure, and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

In addition to the above, this representation letter is provided in connection with your audit of South Yorkshire Pension Fund (the “Fund”) for the purposes as to whether the financial statements of the Fund show a true and fair view of the financial transactions of the Fund during the period from 1 April 2021 to 31 March 2022 and of the amount and disposition at the end of the Fund period of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the period, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the “Code”).
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures, including those assessing the impact of Covid-19 on the Fund are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS 24 “Related party disclosures”.
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of, or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.

6. We confirm that the financial statements have been prepared on the going concern basis. As a local authority, the South Yorkshire Pensions Authority (including the Fund) cannot be dissolved without statutory prescription, and it is assumed that the Authority will continue to operate for the foreseeable future. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's and Fund's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. We confirm that all of the disclosures within the Annual Governance Statement have been prepared in accordance with the relevant legislation and guidance.
8. We have considered the valuation of the Authority's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation of the entire portfolio in the current year.
9. To the best of our knowledge and belief the Fund holds title to all Property included in its Net Assets Statement at 31 March 2022.

Information Provided

10. We have provided you with all relevant information and access.
11. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
12. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
13. 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.
14. We are not aware of any fraud or suspected fraud that affects the Authority and the Fund 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.
15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority and Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
16. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements
17. We have disclosed to you the identity of the Authority and Fund's related parties and all the related party relationships and transactions of which we are aware.
18. No claims in connection with litigation have been or are expected to be received.
19. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
20. We confirm that:
 - (i) we consider that the Authority and Fund have appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
21. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the Fund should change.
22. We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisors. We also confirm that we are not aware of any other matters which have arisen that would require a report to The Pensions Regulator.

23. We have drawn to your attention all correspondence and notes of meetings with regulators.
24. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Authority and Fund's financial statements.
25. We confirm that, under section 27 of the Pensions Act 1995, no trustee of the Fund is connected with, or is an associate of Deloitte LLP, which would render Deloitte LLP ineligible to act as auditor to the Fund.
26. We confirm that:
 - i. all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - ii. all settlements and curtailments have been identified and properly accounted for;
 - iii. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - iv. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Authority's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - v. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - vi. the amounts included in the financial statements derived from the work of the actuary are appropriate.
27. Based upon advice from our actuaries we do not consider that any adjustment to the Authority's pension liabilities arising from GMP equalisation is required as amounts involved are not considered to be significant.
28. We confirm that, under section 27 of the Pensions Act 1995, no Committee member of the Authority or Fund is connected with, or is an associate of Deloitte LLP, which would render Deloitte LLP ineligible to act as auditor to the Authority and Fund.
29. You have been informed of all changes to the Fund rules.
30. We confirm we have disclosed all stock-lending programmes in place.
31. No transactions have been made which are not in the interests of the Fund members or the Fund during the Fund year or subsequently.
32. We confirm that the Fund does not hold investments in the Principal or Participating employers in excess of 5% of the net assets of the Fund.
33. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.

Yours Sincerely,

Councillor Garry Weatherall
Chair, Audit Committee

Neil Copley
Treasurer

Signed on behalf of South Yorkshire Pensions Authority and South Yorkshire Pension Fund

Appendix 1

Schedule of Uncorrected Misstatements – Values to be confirmed below on completion of the audit work.

Description	Assets DR / (CR) £	Liabilities DR / (CR) £	Equity DR / (CR) £	Fund Account DR / (CR) £
Unadjusted stale price adjustment	TBC			TBC



Subject	Approval of Statement of Accounts 2021/22	Status	For Publication
Report to	Audit Committee	Date	28 July 2022
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	n/a
Contact Officer	Will Goddard Financial Services Manager	Phone	01226 666421
E Mail	wgoddard@sypa.org.uk		

1 **Purpose of the Report**

- 1.1 To approve the audited Statement of Accounts 2021/22.
-

2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the Statement of Accounts 2021/22**
 - b. **Authorise the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Authority**
-

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 approval and publication of the Statement of Accounts enables the Authority to demonstrate the proper administration of its financial affairs and the effective use of its resources.
-

4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report address the risk identified in the Corporate Risk Register that the Authority fails to meet specific regulatory requirements.

5 **Background and Options**

- 5.1 Regulation 9 (2) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a Committee of the Authority.
- 5.2 The Authority has designated the Audit Committee as the committee to approve the Statement of Accounts.

Statutory Deadlines for Publication of Accounts

- 5.3 The Accounts and Audit (Amendment) Regulations 2022 come into force on 22 July 2022 and require publication of the unaudited statement of accounts no later than 31 July 2022, and the audited statement of accounts no later than 30 November for the financial year 2021/22. For the financial years 2022/23 to 2027/28 the date for publication of the unaudited statement of accounts will be no later than 31 May, and the audited statement of accounts publication date moves to no later than 30 September.
- 5.4 Although the statutory deadlines were extended thus, officers had planned a timetable for the production of the Authority's 2021/22 accounts in accordance with the earlier dates of 31 May for publication of the draft accounts, and 31 July for publication of the audited accounts. It is considered very important that we prepare our accounts as early as possible given that the four district Councils and other large employers in the scheme are reliant on the completion of the audit on the Fund accounts and receipt of assurances from our auditor before their own audits can be completed.
- 5.5 This was discussed with our external auditor, Deloitte, who agreed to commit to working with us to achieve these deadlines. In order to achieve this, it was agreed that the audit of the Fund accounts would commence early – on 26 May 2022. The agreed aim is to ensure that the final audit procedures will be completed in time to enable the audited accounts and audit opinion to be signed off within 2 weeks from the date of this Audit Committee meeting – which is the timescale achieved last year.

Statement of Accounts

- 5.6 The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2021/22" issued by the Chartered Institute of Public Finance and Accountancy (the Code).
- 5.7 The Code constitutes the "proper accounting practices" required by Section 21(2) of the Local Government Act 2003 and deviations from it will usually lead to a qualified audit opinion. The Authority is required to prepare a Statement of Accounts in compliance with the Accounts and Audit Regulations made under Section 32 of the Local Audit and Accountability Act 2014 and therefore has a statutory duty to comply with the Code requirements.
- 5.8 In accordance with Section 26 of the Local Audit and Accountability Act 2014 the accounts were open to public inspection and for objections or questions from local electors for 30 days and no objections or questions from local electors were received.
- 5.9 The accounts are subject to audit by Deloitte LLP who is the auditor appointed by Public Sector Audit Appointments Limited. Deloitte LLP has conducted its audit and prepared their audit status report in accordance with *International Standards on Auditing (United Kingdom and Ireland) 260 - Communication to those charged with governance*, which is elsewhere on the agenda.
- 5.10 The draft Statement of Accounts 2021/22 was authorised for issue on Thursday 23 June 2022. This was ahead of the statutory deadline, as outlined above in paragraphs 5.3 to 5.4.
- 5.11 The Statement of Accounts comprises the accounts of the Authority itself as an organisation, in addition to the accounts of the Pension Fund for the year (the Fund accounts).
- 5.12 At the time of writing, the audit work is very well progressed and on schedule to be finalised in line with the planned timescales set out in paragraph 5.5 above. The auditor will provide an update on the status of their audit to the Committee.
- 5.13 During the course of the audit, a small number of amendments to the accounts were agreed as set out below. The amended, audited Statement of Accounts is attached as Appendix A to this report.

Amendments to the Accounts

5.14 Authority Accounts – Property, Plant and Equipment

5.15 Note 10 to the Authority Accounts provides a disclosure to show the breakdown of the property, plant and equipment assets of the Authority. Within the note a minor narrative detail error was found for the Oakwell House practical completion date. The completion date was stated as 15 December 2021, this date has been corrected to 06 December 2021.

5.16 Authority Accounts – IAS 19 Accounting for the Defined Benefit Pension Liability

5.17 Note 24 to the Authority Accounts provides details of the defined pension liability for the Authority. The note is based on the IAS 19 schedules provided by the actuary. For the unfunded residual liabilities element, the original schedule had to be revised due to an error with the actuary's figures. The contributions received and benefits paid were represented as £350k, instead of the correct value of £337k. The accounts were prepared based on the actual figure of £337k, however the revised actuary schedule contained an additional change to the remeasurement figure for 'Other Experience' of £13k which was not reflected in the original draft accounts. The audited accounts have been updated per the revised schedule resulting in the total net pensions liability reducing by £13k from £10,520k to £10,507k.

5.18 The effect of this in the Comprehensive Income & Expenditure Statement was a small increase of (£13k) to the Remeasurements of the Net Defined Benefit Liability shown in Total Comprehensive Income and Expenditure. There is no effect on the Surplus or Deficit on Provision of Services and no impact on the total Authority expenditure charged to the Pension Fund.

5.19 Authority Accounts – Events After the Reporting Period

5.20 Note 5 to the Authority Accounts provides details of events after the reporting period. A non-adjusting event note has been added here. This is for an event that provides information that is relevant to an understanding of the Authority's financial position but that does not relate to conditions existing at 31 March 2022. The non-adjusting event relates to a decision made on 4 July 2022 to grant permission for a judicial review relating to the McCloud remedy costs to be heard. This was following a claim from several unions for a judicial review against the Government inclusion of the McCloud remedy costs to be included in the cost control mechanism for public sector pension schemes. At this stage, there is no date for the judicial review to be heard and even if the review is successful, it is unclear what remedy the court may order. At this stage any attempt to predict outcomes would be highly speculative. Note 5 has been updated to reflect this information.

6 Implications

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

Financial	The Statement of Accounts sets out the financial position of the Authority at 31 March 2022 and its income and expenditure for the year then ended.
Human Resources	None
ICT	None
Legal	Approval of the 2021/22 Statement of Accounts will ensure compliance with the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022.
Procurement	None

Neil Copley

Treasurer

Background Papers	
Document	Place of Inspection
None	-

South Yorkshire Pensions Authority

Statement of Accounts 2021/22

Contents

Narrative Report	1	Note 7	Adjustments Between Accounting Basis and Funding Basis Under Regulations	61
Annual Governance Statement	23	Note 8	Transfers to / from Earmarked Reserves	62
Independent Auditor's Report to the Members of South Yorkshire Pensions Authority	38	Note 9	Expenditure and Income Analysed by Nature	64
Independent Auditor's Report to the Members of South Yorkshire Pensions Authority on the Statements of South Yorkshire Pension Fund	39	Note 10	Property, Plant and Equipment	67
Statement of Responsibilities	40	Note 11	Intangible Assets	70
Approval of the Statement of Accounts	41	Note 12	Financial Instruments	71
South Yorkshire Pensions Authority Statement of Accounts		Note 13	Short Term Debtors	72
Comprehensive Income & Expenditure Statement	42	Note 14	Cash and Cash Equivalents	72
Movement In Reserves Statement	44	Note 15	Short Term Creditors	72
Balance Sheet	46	Note 16	Unusable Reserves	73
Cash Flow Statement	47	Note 17	Cash Flow Statement - Operating Activities	76
Note 1 Expenditure and Funding Analysis	48	Note 18	Cash Flow Statement - Investing Activities	76
Note 2 Accounting Policies	50	Note 19	Officers' Remuneration	77
Note 3 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	56	Note 20	Members' Allowances	80
Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	56	Note 21	External Audit Costs	80
Note 5 Events After the Reporting Period	58	Note 22	Related Parties	81
Note 6 Supplementary Information to Note 1. Expenditure and Funding Analysis	59	Note 23	Leases	82
		Note 24	Defined Benefit Pension Liability	83
		Note 25	Contingent Liabilities	91

Contents

South Yorkshire Pension Fund Financial Statements & Notes

Fund Account	93	Note 12	a) Property Income	111	
Net Assets Statement	94	Note 13	a) Other Fund Account Disclosures - External Audit Costs	112	
Note 1		Note 13	b) Other Fund Account Disclosures - Irrecoverable VAT	112	
a) Description of Fund	95	Note 14	a) Investments	113	
b) Membership	96	Note 14	b) Reconciliation of Movements in Investments & Derivatives	115	
c) Funding	96	Note 14	c) Investments Analysed by Fund Manager	117	
d) Benefits	96	Note 14	d) Stock Lending	119	
e) Investment Performance	97	Note 14	e) Property Holdings	120	
Note 2	Basis of Preparation	97	Note 15	Analysis of Derivatives	121
Note 3	Summary of Significant Accounting Policies	98	Note 16	Fair Value - Basis of Valuation	122
Note 4	Critical Judgements in Applying Accounting Policies	101	Note 16	a) Fair Value Hierarchy	125
Note 5	Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty	103	Note 17	a) Classification of Financial Instruments	128
Note 6	Events After the Reporting Period	104	Note 17	b) Net Gains & Losses on Financial Instruments	129
Note 7	Contributions Receivable	105	Note 18	Nature & Extent of Risk Arising from Financial Instruments	129
Note 8	Transfers In from Other Pension Funds	106	Note 19	Funding Arrangements	135
Note 9	Benefits Payable	107	Note 20	Actuarial Present Value of Promised Retirement Benefits	138
Note 10	Payments To & On Account of Leavers	108			
Note 11	Management Expenses	108			
Note 11	a) Investment Management Expenses	109			
Note 12	Investment Income	110			

Contents

South Yorkshire Pension Fund Financial Statements & Notes

Note 21	a) Current Assets	139
Note 21	b) Long Term Debtors	139
Note 22	Current Liabilities	140
Note 23	Additional Voluntary Contributions	140
Note 24	Agency Services	141
Note 25	Related Party Transactions	142
Note 25	a) Subsidiary Companies	143
Note 25	b) Key Management Personnel	144
Note 26	Contingent Liabilities & Contractual Commitments	145
	Glossary of Key Terms	146

Narrative Report

Introduction

This narrative report aims to provide information on the Authority, its main objectives and strategies and the principal risks that it faces. The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and understandable summary of the Authority's financial position and performance for the year and its prospects for future years. In order to achieve this, a commentary will be provided on how the Authority has used its resources to achieve its desired outcomes and will highlight and explain the linkages between information presented here and the information within the financial statements.

The report is structured as follows:

- About South Yorkshire Pensions Authority
- Our Mission
- Our Priorities
- Our Performance & Achievements
- Our Financial Position
- Our Future Spending Plans
- Risks and Challenges
- Current Issues
- Explanation of Our Financial Statements 2021/22

About South Yorkshire Pensions Authority

South Yorkshire Pensions Authority was established on 1st April 1988, following the abolition of South Yorkshire County Council and the winding up of the South Yorkshire Residuary Body. The primary function of the organisation is to administer the South Yorkshire Pension Fund within the Local Government Pension Scheme (LGPS).

The South Yorkshire Pension Fund is one of the ten largest LGPS funds by both assets and membership, with an asset value of £10.6 billion and a total of 171,108 members at 31 March 2022.

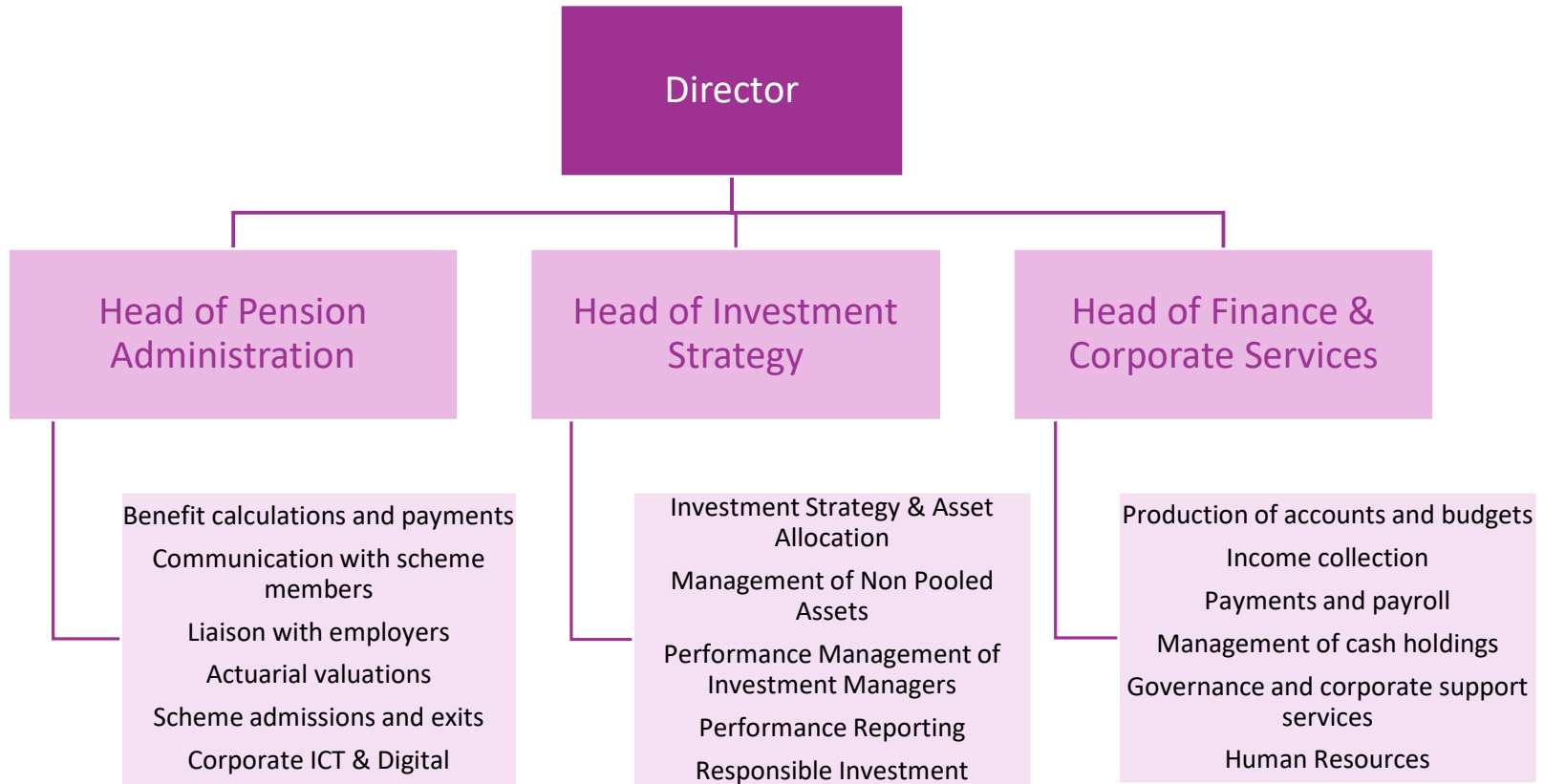
When the Authority was established in 1988, it was also made responsible for certain residual liabilities of the South Yorkshire Residuary Body. These were compensation payments which were not met by the Pension Fund. These liabilities are met by a levy on the four district councils of South Yorkshire payable in proportion to their populations. The four districts are: Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council.

The Authority is unique amongst the administering authorities in the LGPS in that it is the only democratically accountable, free-standing pensions organisation in the UK. While a small number of other administering authorities are not councils, their "boards" include appointed experts rather than being entirely made up of councillors.

The Authority has 12 members drawn from the four South Yorkshire districts outlined above, roughly in proportion to their population. The membership of the Authority at 31 March 2022 was as follows.

Barnsley MBC [2 members]	Doncaster MBC [3 members]	Rotherham MBC [2 members]	Sheffield CC [5 members]	Non-Voting Co-Opted Members
M Stowe	S Cox	D Fisher	F Belbin	N Doolan-Hamer (Unison)
N Wright	J Mounsey (Chair)	M Havard	S Clement-Jones	D Patterson (Unite)
	D Nevett		C Rosling-Josephs	G Warwick (GMB)
			A Sangar	
			G Weatherall (Vice Chair)	

The Authority is supported by the Senior Management Team, led by the Director who is the Head of Paid Service. The management structure of the Authority is set out in the diagram below.



The Authority also appoints a Clerk, Monitoring Officer and Treasurer, as required by law. These roles are undertaken by officers of Barnsley Metropolitan Borough Council under a Service Level Agreement.

In total the Authority directly employs just over 100 people (87 FTE) based at the Authority’s headquarters in Barnsley.

Our Mission

The Authority's mission is:

To deliver a sustainable and cost-effective pension scheme for members and employers in South Yorkshire delivering high levels of customer service and strong investment returns which facilitate stable contributions.

We only exist because of our customers and given that we only do one thing, run the pension scheme, we owe it to them to provide the best possible performance while maintaining costs within reasonable levels.

In order to achieve this mission, there are a number of things we need to do, our objectives, which are:

Customer Focus to design our services around the needs of our customers (whether scheme members or employers).

Listening to our Stakeholders to ensure that stakeholders' views are heard within our decision-making processes.

Investment Returns to maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long-term liabilities.

Responsible Investment to develop our investment options within the context of a sustainable and responsible investment strategy.

Scheme Funding to maintain a position of full funding (for the Fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

Effective and Transparent Governance to uphold effective governance showing prudence and propriety at all times.

Valuing and Engaging our Employees to ensure that all our employees are able to develop a career with the Authority and are actively engaged in improving our services.

The way in which the organisation and its staff go about delivering these objectives reflects the values of the organisation which are:

- Honest & Accountable;
- Professional;
- Progressive; and
- Empowering.

Our Priorities

The Corporate Strategy is one of the key documents that frames the actions of the Authority and sets out the detailed plans for the organisation over a three-year time horizon that aligns with the period between valuations of the Pension Fund.

The strategy update for 2022 to 2025 reflects the continuing journey to build a stronger, more resilient organisation focussed on delivering for our customers whilst reflecting what we have learnt from having to adapt the way in which we operate to the COVID-19 pandemic. The strategy over the next three years focuses on delivering improvements to the way in which we do things in order to ultimately improve the service received by our customers and our overall efficiency.

Over the next three years we will be making a range of changes and improvements over the whole range of the Authority’s activities. In order to manage these more easily and provide clear accountability we have divided these up into programmes of work covering:

- Data – which focuses on a range of data related projects including the valuation and a number of statutory exercises such as GMP rectification and the implementation of the McCloud remedy.
- Process Improvement – which particularly focuses on getting the most out of our investment in technology including automating processes and improving reporting.
- Investment – which focuses on activity to develop and refine the investment strategy to support the overall funding of the pension scheme.
- Organisational Infrastructure – which focuses on all those things that make the business work.

The actions in the strategy are as follows:

Ref	Project / Action	Timescale	
		Start	Finish
Data			
D01	Complete Valuation 2022	Nov-21	Mar-23
	<i>Data Submission</i>	<i>Apr-22</i>	<i>May-22</i>
	<i>Employer Engagement</i>	<i>Feb-22</i>	<i>Mar-23</i>
	<i>Funding Strategy</i>	<i>Nov-21</i>	<i>Mar-23</i>
D02	Guaranteed Minimum Pension – Completion of Rectification process	Nov-21	May-22

Ref	Project / Action	Timescale	
		Start	Finish
D03	McCloud Remedy-	Mar-22	Apr-24
	<i>System Upgrades</i>	<i>Sep-22</i>	<i>Mar-23</i>
	<i>Processing and Case Reviews</i>	<i>Apr-23</i>	<i>Mar-24</i>
	<i>Member Communications</i>	<i>Apr-22</i>	<i>Mar-24</i>
	<i>Employer Communications</i>	<i>Oct-21</i>	<i>Mar-24</i>
D04	Complaints – Undertake root cause analysis of complaints which occur on multiple occasions	Apr-22	Sep-22
D05	Pensions Dashboard – Provision of data in line with regulatory requirements	Apr-23	Mar-25
D06	Deliver annual data improvement plan	Apr-22	Mar-25
Process Improvement			
P01	Implement contractual improvements to the Core UPM Pension Administration System –	Feb-22	Mar-25
	<i>Review of compliance with the new contract and effectiveness of delivery</i>	<i>Dec-22</i>	<i>Mar-23</i>
	<i>Review and updating of processes</i>	<i>Apr-22</i>	<i>Mar-24</i>
	<i>Retire Online</i>	<i>Jan-21</i>	<i>Apr-22</i>
	<i>Automation of Joiners</i>	<i>Sep-21</i>	<i>Apr-22</i>
	<i>Automation of leavers / deferred members</i>	<i>Jun-21</i>	<i>Jun-22</i>
	<i>Implement dynamic homepage and improve the log in / sign up process for mypension</i>	<i>Apr-22</i>	<i>Mar-23</i>
	<i>mypension App</i>	<i>Apr-24</i>	<i>Mar-25</i>
	<i>Feasibility/Pilot of Chatbots</i>	<i>Apr-24</i>	<i>Mar-25</i>
	<i>Online ID Verification for pension claims</i>	<i>Apr-24</i>	<i>Mar-25</i>
	<i>Improve functionality of employer hub</i>	<i>Apr-23</i>	<i>Mar-24</i>
P02	Monthly Data Collection-	Mar-22	Mar-25
	<i>Validator App enhancements</i>	<i>Mar-22</i>	<i>Mar-25</i>

Ref	Project / Action	Timescale	
		Start	Finish
	<i>Automate the processing of direct debit instructions from data submissions</i>	<i>Nov-21</i>	<i>Jun-22</i>
P03	Reporting – Implement improvements to the completeness and degree of automating of reporting across the organisation –	Apr-22	Mar-25
	<i>Statutory Disclosures</i>	<i>Apr-22</i>	<i>Mar-23</i>
	<i>Pension Administration Regular Management Information</i>	<i>Apr-22</i>	<i>Mar-24</i>
	<i>UPM Finance Reports</i>	<i>Apr-22</i>	<i>Mar-24</i>
	<i>Customer Centre Management Information</i>	<i>Apr-22</i>	<i>Mar-23</i>
	<i>Employer Performance</i>	<i>Apr-22</i>	<i>Mar-24</i>
	<i>Financial Reporting</i>	<i>Apr-22</i>	<i>Mar-25</i>
	<i>HR Reporting</i>	<i>Oct-22</i>	<i>Sep-23</i>
P04	Financial Process Improvements -	Apr-22	Mar-24
	<i>Review debt recovery processes</i>	<i>Apr-23</i>	<i>Mar-24</i>
	<i>Review of processes following implementation of new financial systems to capture benefits</i>	<i>Apr-22</i>	<i>Mar-23</i>
	<i>Complete the review of the VAT Partial Exemption Special Method</i>	<i>Jun-22</i>	<i>Dec-22</i>
	<i>Review custodian arrangements and procure as necessary</i>	<i>Feb-22</i>	<i>Sep-22</i>
	<i>Review banking arrangements and procure as necessary</i>	<i>Apr-22</i>	<i>Sep-22</i>
	<i>Review arrangements for Treasury Management advice and procure as necessary</i>	<i>Sep-22</i>	<i>Mar-23</i>
	<i>Reprocure commercial property insurance if required</i>	<i>Jul-24</i>	<i>Mar-25</i>
P05	Certifications aimed at embedding process improvements across the organisation –	Apr-22	Mar-25
	<i>Maintain Customer Services Excellence accreditation</i>	<i>Apr-22</i>	<i>Mar-24</i>
	<i>Achieve initial Investors in People accreditation</i>	<i>Apr-23</i>	<i>Mar-25</i>
	<i>Achieve initial Pensions Administration Standards Association (PASA) accreditation</i>	<i>Apr-22</i>	<i>Mar-25</i>

Ref	Project / Action	Timescale	
		Start	Finish
Investment			
I01	Strategic Issues –	Apr-22	Mar-25
	<i>Conduct an Investment Strategy review following the 2022 Valuation and update the Investment Strategy Statement</i>	<i>Apr-22</i>	<i>Mar-23</i>
	<i>Address systemic risks to the fund's investments resulting from climate change through progressing annual updates to the Net Zero action plan.</i>	<i>Mar-22</i>	<i>Mar-25</i>
	<i>Implement new requirements related to TCFD Reporting</i>	<i>Apr-22</i>	<i>Ongoing</i>
I02	Tactical and Transactional Issues –	Apr-22	Ongoing
	<i>Implement revisions to the Strategic Asset allocation</i>	<i>Apr-22</i>	<i>Ongoing</i>
	<i>Determine the approach to the Border to Coast property proposition and transition assets as necessary</i>	<i>Mar-22</i>	<i>Dec-24</i>
	<i>Conclude Project Chip</i>	<i>Sep-21</i>	<i>Sep-22</i>
	<i>Review legacy portfolios and determine the ultimate exit routes in each case</i>	<i>Apr-22</i>	<i>Dec-22</i>
	<i>Continue to develop stewardship reporting in response to regulatory feedback</i>	<i>Apr-22</i>	<i>Ongoing</i>
Organisation			
O01	Governance –	Dec-21	Mar-25
	<i>Review and update information governance arrangements</i>	<i>Jun-22</i>	<i>Mar-23</i>
	<i>Complete roll out of workflows etc. within Modern.gov and implement paperless meetings</i>	<i>Apr-22</i>	<i>Jun-22</i>
	<i>Implement new statutory officer arrangements and internalise committee and member support activity</i>	<i>Apr-22</i>	<i>Mar-23</i>
	<i>Update procurement arrangements, processes, and systems including the implementation of the YORtender replacement</i>	<i>Dec-21</i>	<i>Jun-23</i>
	<i>Update process and procedure documentation across all aspects of Pension Administration to allow regulatory compliance to be demonstrated through the Portal</i>	<i>Apr-22</i>	<i>Mar-25</i>
	<i>Demonstrate compliance with the relevant TPR codes</i>	<i>Sep-22</i>	<i>Aug-23</i>

Ref	Project / Action	Timescale	
		Start	Finish
002	People –	Jan-22	Ongoing
	<i>Procure and implement a new HR and Payroll System</i>	<i>Jan-22</i>	<i>Mar-23</i>
	<i>Consolidate the new finance team structure and capture benefits</i>	<i>Apr-22</i>	<i>Ongoing</i>
	<i>Address currently identified recruitment and retention risks</i>	<i>Jan-22</i>	<i>Dec-22</i>
	<i>Develop a staff Health and Wellbeing Strategy</i>	<i>Jan-23</i>	<i>Apr-24</i>
	<i>Develop an Apprenticeship framework to support existing and future apprentices</i>	<i>Jan-22</i>	<i>Apr-23</i>
	<i>Create structured learning paths for different job roles using the different learning support technologies available</i>	<i>Jan-22</i>	<i>Apr-23</i>
	<i>Implement actions from the 2020 staff survey</i>		<i>Ongoing</i>
	<i>Undertake 2022 staff survey and identify appropriate responses to the results</i>	<i>Sep-22</i>	<i>Mar-23</i>
	<i>Enhance collaborative working across the organisation</i>	<i>Jan-22</i>	<i>Ongoing</i>
003	ICT –	Jun-21	Mar-25
	<i>Complete the roll out of Microsoft 365 tools and the migration to 365 infrastructure</i>	<i>Jun-21</i>	<i>Sep-22</i>
	<i>Agree and implement a revised hardware replacement programme</i>	<i>Apr-22</i>	<i>Apr-23</i>
	<i>Implement the updated corporate website</i>	<i>Nov-21</i>	<i>Ongoing</i>
	<i>Review and update ICT policies, including specifically a review of password management arrangements</i>	<i>Apr-22</i>	<i>Ongoing</i>
	<i>Undertake annual ICT security health checks</i>	<i>Apr-22</i>	<i>Ongoing</i>
004	Project and Programme Management –	Jun-22	Mar-23
	<i>Determine a stripped down and appropriately scaled programme and project management process</i>	<i>Jun-22</i>	<i>Mar-23</i>
	<i>Initiate a clearly defined process for prioritising and agreeing development and other system change requests</i>	<i>Jun-22</i>	<i>Mar-23</i>
005	Business Continuity –	Apr-22	Ongoing
	<i>Produce revised corporate business continuity plan</i>	<i>Apr-22</i>	<i>Sep-22</i>
	<i>Reinstate annual testing of ICT Disaster Recovery arrangements.</i>	<i>Sep-22</i>	<i>Ongoing</i>

Our Performance and Achievements

The performance of the organisation in delivering on our corporate objectives and plans is reported quarterly at full Authority meetings. These Corporate Performance Reports are available on the agenda and minutes pages of the website at: [Governance \(sypensions.org.uk\)](https://www.sypensions.org.uk). Additionally, further information on the overall performance of the Authority for the year is provided in the Annual Report published on our website at: www.sypensions.org.uk.

Investments

The investment return for the 2021/22 year was 9.6% against the expected benchmark of 7.7%, with a Fund value of £10.674 billion at 31 March 2022.

Two further transitions took place to funds managed by Border to Coast in the year; a transition of legacy high yield and emerging market bonds to the new Border to Coast Multi Asset Credit (MAC) fund took place in October 2021, and in January 2022, £140 million of listed alternative holdings transferred to the Border to Coast Listed Alternatives Fund.

At the end of the financial year, 70% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Corporate Plan Delivery

During 2021/22, significant progress has been made against many of the corporate plan targets; some of the highlights are as follows.

- The major 'Office Accommodation' project was completed, and the Authority moved into our new home at Oakwell House in January 2022 – the building having been fully refurbished to provide a high-quality environment tailored to new ways of working with suitable technology to enable the maximum benefits to be gained from hybrid working and collaboration.
- A range of back-office software systems were replaced – including the main accounting system, investment accounting system and committee administration system.
- Completed the procurement process and signed a new 5-year contract for the pensions administration software system; with an improvement plan for the supplier incorporated into the contract; in relation to monthly data collection and aggregations handling in particular.
- A revised career grade scheme for Pensions Officers was implemented, providing increased flexibilities and opportunities for progression and development.

Pension Administration

85% of priority cases were processed on time and 74% of all cases were processed on time in 2021/22, showing an improvement on the previous year, and progress continues to be made in this area with performance improving incrementally over time.

The proportion of employer data submissions received on time was 99% in 2021/22. The current performance measure in relation to data submissions does not currently include a measure of data accuracy. This will begin to be measured and reported on during 2022/23.

- Implemented a new e-learning platform through *LinkedIn Learning* – providing access for all our employees to a vast range of courses on various topics and also giving us the opportunity to implement tailored and bespoke e-learning and training videos for Authority staff ranging from induction and on-boarding new staff to learning pathways that will support the pensions officer career grade scheme.
- Delivered a 12-month leadership and management development programme for all team managers and team leaders, enhancing their skills and knowledge and providing action learning sets for this group to work together and help each other in relation to current work issues. This last aspect of the programme has also been commissioned to continue over the next year.
- The Support and Engagement Team delivered several live and pre-recorded online training sessions and demonstrations to a range of audiences including HR/payroll teams at scheme employers and pre-retirement presentations to scheme members.
- A new and improved website was launched in January 2022, with a more modern look and feel, improved functionality and appearance on mobile devices, and includes a new fully integrated site for Authority meetings, agendas and minutes.
- The Authority once again achieved Cyber Security Essentials Plus accreditation following the annual independent evaluation.
- A new Deferred Retire Online facility was made available to scheme members via the *MyPension* website and allowing deferred members the opportunity to claim their pension fully online with no form filling.
- In March 2022, the Authority published its first impact report which uses the framework of the United Nations Sustainable Development

Goals (SDG's) to understand the way in which its investments interact with people and planet, and whether that interaction is positive or negative.

- The Authority was awarded the first ever *Impact Investing Adopters Award* at a ceremony in London in November, in recognition of its adoption of an impact focussed approach to its investments. This is a national award given by Pensions for Purpose, a knowledge sharing network focussed on responsible and impact investing.
- The annual update of the Net Zero Action Plan (with the aim of achieving net zero by 2030) was reported and agreed in March 2022 with work continuing to identify investments that positively support the transition and result in reduced emissions. However, given the early target date, there does remain a significant risk of missing the goal. The specification for the review of the Investment Strategy to take place in 2022/23 reflects the need to accelerate emissions reduction.
- The Health, Safety & Wellbeing Committee delivered a range of initiatives, including:
 - A series of webinars on specific wellbeing topics including menopause awareness, men's mental health, mindfulness, and optimising sleep.
 - A health screening day was held providing 15-minute appointments for a total of 23 employees for physical health checks including BMI, body fat, visceral fat, blood pressure, blood glucose and total cholesterol.
 - A fundraising drive at Christmas, resulting in a donation of £263 worth of goods to a local food bank.

Our Financial Position

The Authority's day-to-day running costs are managed through the operational budget, while costs and income associated with specific investments and dealings with scheme members are managed through the Pension Fund directly. The financial performance of the Fund is set out in the financial statements and notes for the Fund, later within this publication.

The operational budget for 2021/22 was approved in January 2021 at a total of £5,445,600. The overall outturn for the year, before transfers from reserves, was an under-spend of £299,590; the details of which are set out below.

South Yorkshire Pensions Authority Operational Budget	2021/22 Budget	2021/22 Outturn	2021/22 Outturn Variance	2021/22 Outturn Variance
	£	£	£	%
Pensions Administration	2,719,750	2,500,610	(219,140)	(8.10%)
Investment Strategy	539,760	565,090	25,330	4.70%
Finance & Corporate Services	738,220	772,420	34,200	4.60%
ICT	667,200	635,850	(31,350)	(4.70%)
Management & Corporate	375,050	368,090	(6,960)	(1.90%)
Democratic Representation	142,620	124,020	(18,600)	(13.00%)
Subtotal Net Cost of Services	5,182,600	4,966,080	(216,520)	(4.20%)
Capital Expenditure Charged to Revenue	1,630,000	1,546,930	(83,070)	(5.10%)
Subtotal Before Transfers to Reserves	6,812,600	6,513,010	(299,590)	(4.40%)
Appropriations to Reserves	(1,367,000)	(1,067,410)	299,590	(21.90%)
Total	5,445,600	5,445,600	0	0.00%

The main variances included within the overall under-spend for the year are explained below.

- An under-spend on staffing costs across all service areas of (£129k) which includes:
 - Savings of (£133k) in Pensions Administration as a result of staff turnover and vacancies over the course of the year. This includes (£35k) relating to a training officer post that was advertised internally on a secondment basis but not taken up, therefore the post remained vacant all year. This has subsequently been revised to a permanent Technical Specialist post which has been filled in the first quarter of 2022/23. Recruitment of pensions officers and customer services officers posts also took place towards the end of the financial year.
 - A net under-spend of (29k) relating to staff turnover in Finance & Corporate Services – comprising a (£43k) saving on vacancies in the year that has been used to fund additional costs of £14k on overtime that was required in the first half of this year due to having staff shortages at the same time as undertaking major projects to implement a new finance system and a new investment accounting system, and also produce the 2020/21 accounts and ensure the audit was completed successfully to the usual early timescale of 31 July, well ahead of the statutory deadline of 30 September.
 - A planned over-spend of £33k in Finance & Corporate Services to be financed from reserves. Relating to two items: agency staff costs as a result of hiring an interim accountant in the early part of the year to support the accounts closedown and audit process whilst implementing the new main accounting system, and the employment of an HR Undergraduate on a 12-month placement to support work on various HR projects including learning and development.
- The organisational training and development budget was included as a growth item in the budget with effect from 2020/21 but due to the impact of COVID-19 and remote working, progress on the planned activities in this area has been slower than originally anticipated, and the available budget in 2021/22 of £55k has been under-spent this year by (£23k). Nevertheless, the planned work in this area is continuing to progress with a number of initiatives under way including a manager development training programme, implementation of the LinkedIn Learning platform, and an HR Undergraduate student in post on a 12-month placement, which will provide the needed additional staff resource to support and take forward some of the plans around training and development including production of an e-learning package for new staff.
- Additionally, the training budgets for individual service areas of pensions administration and ICT were under-spent by a total of (£17k) – partly affected by the impact of staff vacancies and also some continued impact from the pandemic. Plans are in place to make greater use of these budgeted resources in 2022/23.
- The budget for office accommodation costs, apportioned to services pro-rata to staffing numbers, was over-spent by £90k in total. This is due to a range of issues including the fact that the unavoidable delay in being able to transfer the data centre from Gateway Plaza until January 2022 meant that rent, business rates, utilities etc. for the Gateway Plaza office were all charged for an additional two months (Dec and Jan) that hadn't been included in the budget. In addition, the costs of electricity have been higher than expected as a result of the wider inflation on energy prices. Finally, the costs of the facilities management provision required in the first few months of mobilisation were higher than forecast. This will stabilise now as the transition period comes to an end.

- There is an under-spend of (£59k) on actuarial fees for the year. This is partly due to the fact that a prudent approach was taken to setting the budget for 2021/22 based on experience of actual costs in previous years and pending the outcome of procurement for a new contract. The change of contract that resulted from the procurement has resulted in savings being realised.
- Income for Pensions Administration arising from fees and charges is (£13k) more than budget. This includes income from member fees for sharing orders for example, and employer fees in relation to administrative charges. Additionally, funding of (£6k) was received from the Education and Skills Funding Agency (ESFA) for apprenticeships during the year. This will be set aside in reserves to be used towards learning and development.
- ICT received additional income from software sales and maintenance fees of (£38k) more than budget which will be transferred into the ICT Development earmarked reserve for re-investment in future ICT projects.
- The Democratic Representation budget was under-spent by a total of (£19k). This included running costs under-spent by (£14k) due to the fall in expenditure for room hire, catering, travel, subsistence, mainly arising from the knock-on effects of COVID-19. The training budget was also under-spent this year, by (£4k) for Authority members and by (£1k) for Local Pension Board members.
- The total budget for capital expenditure this year was £1,630k, comprising £225k for new pension administration system 5-year contract and £1,405k for the Oakwell House office project. The actual implementation cost of the new pensions administration software contract that commenced in February 2022 was £185k, resulting in a (£40k) under-spend against the budget for this project. The remaining balance of capital expenditure is £1,362k for the Oakwell House project, which is (£43k) under the budgeted 2021/22 spend – which is due to slippage in timing only, on the final stage of AV installation works that were held up as a result of global supply chain delays – this work and therefore the associated expenditure will be carried out during the first quarter of the next financial year.

Reconciliation of Budget Outturn to the Expenditure & Funding Analysis Note

The statement of accounts includes the Expenditure and Funding Analysis (EFA) at Note 1 – which sets out the net amounts chargeable to the General Fund for the year as compared to the amounts accounted for under generally accepted accounting practices shown in the Comprehensive Income and Expenditure Statement (CIES). These amounts are analysed across the services within the Authority on the same basis as shown in the budget outturn table above. However, some differences remain between the service totals above and the service totals shown in the EFA note.

The table below sets out the details, and the reasons for these differences are explained as follows.

The main difference relates to VAT expenses incurred that we are unable to recover from HMRC. Unlike other local authorities, as an authority with the sole purpose of administering the Pension Fund, we do not currently have Section 33 status under the VAT Act 1994. Instead, we use a special exemption method agreed with HMRC for reclaiming a proportion of our VAT charges only. The remaining proportion of the VAT expense that is not recoverable is Authority expenditure and is therefore recognised in the CIES and is charged in full to the General Fund as shown on the EFA Note; but as it is a varied and unpredictable cost over which budget managers cannot exert any control, it is not reported for budget purposes.

There are also some minor rounding differences as a result of the budget reports being presented with figures rounded to the nearest £10 for presentational purposes whereas the figures in the CIES are shown as actual amounts rounded to the nearest £1 only.

Reconciliation of Services Totals in the Budget Outturn Report to Amounts Shown in the Expenditure and Funding Analysis (EFA) Note	2021/22 Budget Outturn £	2021/22 Irrecoverable VAT Expense - Not Reported for Budget Purposes £	Rounding Adjustments for Budget Reporting £	2021/22 Net Expenditure Chargeable to the General Fund in the EFA Note £
Pensions Administration	2,500,610	298,161	2	2,798,773
Investment Strategy	565,090	143,891	5	708,986
Finance & Corporate Services	772,420	94,895	(5)	867,310
ICT	635,850	-	(1)	635,849
Management & Corporate	368,090	-	(7)	368,083
Democratic Representation	124,020	-	3	124,023
Net Cost of Services	4,966,080	536,947	(3)	5,503,024

Earmarked Reserves

The Authority has three earmarked revenue reserves, the Corporate Strategy reserve, the ICT reserve, and the Capital Projects reserve.

For 2021/22, movements to and from these reserves have been agreed as shown in the following table.

We operate within a rule which limits the amount we can hold in the revenue reserves, i.e., Corporate Strategy and ICT reserves, to 7.5% of the Operational Budget (resulting in a limit of £408k for 31 March 2022), and the current level remains just below this limit at £405k or 7.4%.

Earmarked Reserves	Balance at 01/04/2021 £	Contributions to Reserves £	Contributions from Reserves £	Balance at 31/03/2022 £
Corporate Strategy Reserve	238,500	145,000	(184,700)	198,800
ICT Reserve	118,300	87,650	0	205,950
Subtotal Revenue Reserves	356,800	232,650	(184,700)	404,750
Capital Projects Reserve	1,254,467	105,119	(1,220,470)	139,116
Total Earmarked Reserves	1,611,267	337,769	(1,405,170)	543,866

The earmarked reserves are held for the following purposes.

- Corporate Strategy Reserve – To fund non-recurrent costs arising from projects which are required to implement the Corporate Strategy.
- ICT Reserve – To meet the costs of replacement ICT equipment and software on a cyclical basis. Any net income from sales of software to other LGPS funds is added to this reserve allowing either accelerated equipment replacement or the acquisition or enhancement of additional software.
- Capital Projects Reserve – Originally established to fund costs of major projects; Oakwell House office accommodation project and pensions administration software contract implementation. Going forward, the reserve will be maintained for financing of future projects and expenditure in relation to the office accommodation and any further major systems purchases for the Authority.

Our Future Spending Plans

The operating budget for 2022/23 was approved in February 2022.

For the previous three years – from 2019/20 to 2021/22 inclusive – the budget was held at the same level in cash terms enabled by a re-alignment of financial resources in order to provide the required investment in a range of areas to support delivery of the Authority's corporate priorities.

The budget and medium-term financial strategy (MTFS) for 2022/23 to 2024/25 were prepared in the context of a number of drivers for growth in cost. Having retained the budget at the same cash level for the previous three years, this provided the time necessary for officers to examine all the resourcing requirements and clarify the base position before allowing for any budget growth. This aligns with the wider objectives of how the organisation is to be run, and the completion of this work provided a sound and clear basis for increasing the budget requirement from 2022/23.

The budget for the year ahead reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as

detailed in the Corporate Strategy. Additional resources are included for four new posts to be established to support various specific areas of the planned work. The budget also includes the impact of some significant savings that have been achieved following completion of previous corporate objectives in respect of business systems and procurement of a new contract for actuarial services.

South Yorkshire Pensions Authority Medium Term Financial Strategy	2021/22 Outturn	2022/23 Budget	2023/24 Estimate	2024/25 Estimate
	£	£	£	£
Pensions Administration	2,500,610	2,717,850	2,710,340	2,763,860
Investment Strategy	565,090	572,750	507,180	521,850
Finance & Corporate Services	772,420	818,800	818,590	834,780
ICT	635,850	738,710	686,490	698,770
Management & Corporate	368,090	911,160	846,410	857,860
Democratic Representation	124,020	137,090	182,230	185,810
Unfunded Liabilities	337,477	350,000	351,750	353,510
Subtotal Revenue Expenditure:	5,303,557	6,246,360	6,102,990	6,216,440
Capital Expenditure	1,546,930	0	0	0
Contribution (from) / to Reserves	(1,067,410)	(66,360)	50,000	50,000
Levy on District Councils	(337,477)	(350,000)	(351,750)	(353,510)
Total Charge to Pension Fund	5,445,600	5,830,000	5,801,240	5,912,930

The estimates for the remainder of the Medium Term set out above are based on projecting the 2022/23 budget forward, adjusting for planned savings and estimated inflationary increases as necessary.

The key uncertainties and risks in relation to this financial forecast, and the mitigations in place, are as follows:

- Pay settlements and inflation. The pay award for the 2021/22 year was only agreed by the National Joint Council for Local Government Services (the NJC) in March 2022. For 2022/23, it is not yet known at what level the national pay award may be agreed or when. Separately the Authority have committed to undertake an independent review of pay and benefits. Given the uncertainty of the outcomes from this for pay costs, a prudent provision of £193,000 (approximately 5% of the salaries budget) has been separately included as a corporate contingency in the total budget for the Authority for 2022/23.
- The process of filling new posts approved as part of the budget will, as far as possible, begin before April 2022 with the aim of ensuring the posts are filled at the earliest opportunity. Whilst the Authority's intention is generally to operate at full establishment throughout the year, experience has shown that the time taken to recruit can often result in periods of posts being vacant and therefore the 2022/23 budget also includes a (£40,000) vacancy allowance.
- In the event of higher employee costs than forecast, managers will seek to absorb the in-year impact through the management of vacancies and seeking to either defer one-off expenditure or avoid aspects of running cost expenditure. This is the usual process of budgetary control and it seems unlikely that any cost increases would be on a scale beyond that which measures of this sort could address.
- Deterioration in budgetary control. Budgetary controls and processes are currently robust and well-embedded. Work to refine and enhance this, will continue over the next financial year, to maximise the benefits we're aiming to achieve from the newly implemented main accounting system in particular. There is therefore no indication of any likelihood of deterioration. The controls in this regard are also subject to regular internal audit review.
- Loss of external income. This is mitigated through prudent budgeting, for example not including any assumptions around additional software sales which tend to be sporadic, and through securing longer term agreements with customers with staggered end dates so that not all agreements come to an end at the same time.

Risks and Challenges

Risk Management is the process by which the Authority identifies and overcomes those issues which might prevent it achieving its and the Pension Fund's objectives. Given the financial scale of the Pension Fund and the fact that it invests money in order to achieve financial return, the effective management of risk is crucial to us being able to achieve our objectives. The risks that face the Authority therefore include both the risks to it as an organisation, and the risks inherent in its role as administering authority of the South Yorkshire Pension Fund. The details below reflect this.

Given the scale of the financial assets managed by the Authority for the Pension Fund, the management of the risks inherent in participation in the financial markets is a crucial part of the overall risk management framework. The Authority sets out broad policies in the Investment Strategy Statement which conform to the LGPS Investment Regulations and further details are also covered in the Pension Fund's annual report.

The corporate risk register, which forms an integral part of the Corporate Strategy, is regularly reviewed throughout the year by the Authority's Senior Management Team, reported to the Authority on a quarterly basis, and the risk management framework and arrangements are overseen by the Audit Committee over the course of the year. A full revision exercise was carried out towards the end of the year, and the risk register re-based as at March 2022. The key risks identified and the assessment of their relative probability and impact are shown in the figure below.

South Yorkshire Pensions Authority - Corporate Risk Register Matrix

Impact	Very High		<ul style="list-style-type: none"> • Imbalance in cashflows resulting in inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments. 	<ul style="list-style-type: none"> • Material changes to the value of investment assets / liabilities due to major market movements 	<ul style="list-style-type: none"> • Impact of climate change on investment assets and liabilities 	
	High			<ul style="list-style-type: none"> • Impact of poor data quality on operations • Data protection / GDPR risks • Failure to achieve regulatory compliance • Failure to manage key risks in Border to Coast strategic plan • Breakdown of control environment • Failure of Local Pension Board members to maintain adequate levels of knowledge & understanding • Failure of Authority members to maintain adequate levels of knowledge & understanding 	<ul style="list-style-type: none"> • Weak or ineffective project management arrangements • Failure to maintain effective cyber defences 	
	Medium			<ul style="list-style-type: none"> • Affordability of contributions; negative impact on employer financial viability. Potential default on the making of contributions by employers. 	<ul style="list-style-type: none"> • Ability to recruit and retain a skilled & qualified workforce 	
	Low					
	Very Low					
			Very Low	Low	Medium	High
Probability						

Current Issues

COVID-19

The 2021/22 year has seen the Authority gradually return to business as usual and adjust to the current 'living with COVID-19' stage of the government's plan. Fully remote working from home for all staff continued for the majority of time from April 2021 to December 2021. In January 2022, the final stages of work on our new office at Oakwell House were completed, enabling a return to the office for all staff from the end of that month. The new working arrangements are based on a homeworking policy that enables all staff to work on a hybrid basis – with a minimum of 2 days per week in the office for full-time staff, and 1 day per week for part-time staff. The bespoke design and specification of the new office has facilitated this new way of working with meeting rooms equipped with full MS Teams capabilities and an events room equipped for holding and webcasting our Authority and other committee meetings, as well as training and forum events.

Ukraine War

The Russian invasion of Ukraine in February 2022 clearly held implications for the Fund's investment assets. The Fund's only exposure to Russian assets is held in two pooled investment vehicles managed by Border to Coast Pensions Partnership (one for Emerging Market Equities and the other for Multi Asset Credit). Prior to the invasion, the estimated value of Russian holdings within these funds represents only 0.3% of the total value of the Fund. Clearly since the invasion, the value has fallen significantly. The financial sanctions imposed by western governments and the measures taken by the Russian government to mitigate these sanctions mean that it is not possible to trade in any of these assets at present, even if another party was willing to buy them. Following the invasion, Border to Coast immediately suspended making any further investments in Russia, and continue to review existing investments, including the approach to exiting in due course as and when markets permit. This is above and beyond the UK sanctions currently in place.

Inflation

While in part driven by the issues identified above (e.g., the impact of sanctions on oil and gas supply and hence prices), inflation in and of itself presents a significant issue for the Authority in terms of both its management of the Pension Fund and the operations of the organisation. As regards the Pension Fund, a sustained higher level of inflation could materially increase the liability to pay pensions which would impact either on a requirement for increased investment returns or increased employer contributions. The former may be difficult to achieve in current market conditions and the latter is potentially unaffordable. At the operational level, inflation impacts on the Authority's ability to live within its budget, although given the tendency in recent years to under-spend, this is not regarded as a significant risk. More importantly, inflation puts pressure on pay and the ability of the Authority to compete in the labour market. A review of pay and benefits is planned for 2022/23 which will seek to address this issue within the overall constraints within which the Authority operates.

Regulatory Drift

The Local Government Pension Scheme is awaiting a very large number of regulatory changes which have been outstanding for a considerable time, notably in relation to the McCloud remedy and climate reporting, but also in relation to governance and investment pooling. This is preventing action in some areas, such as accelerating progress on delivering the McCloud remedy, and creating uncertainty in others such as the particular metrics to commission for climate reporting. Work is being progressed in all these areas to the extent possible in the absence of regulatory clarity, and one of the reasons for maintaining reserves is to allow the Authority to respond quickly when required.

Explanation of our Financial Statements

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain several different elements which are explained below.

The Statement of Responsibilities sets out the respective responsibilities of the Authority and the Treasurer.

The Independent Auditor's Report gives the auditor's opinion on the financial statements and on the Authority's arrangements for securing economy, efficiency and effectiveness in our use of resources.

Financial Statements

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and unusable reserves.

The Comprehensive Income and Expenditure Statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from the charge to the Pension Fund.

The Balance Sheet shows the value of the Authority's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.

The **Cash Flow Statement** shows the changes in the Authority's cash and cash equivalents during the reporting period.

Notes to the Financial Statements

The Expenditure and Funding Analysis note shows how expenditure is used and funded from resources by the Authority in comparison with those resources consumed by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the services in the organisation.

The other notes to the financial statements provide further detail on material items within the core financial statements.

The Pension Fund Statement of Accounts

In accordance with the requirement of the Code for administering authorities of Local Government Pension Scheme pension funds, the following statements and notes are presented.

The Fund Account discloses the changes during the year in the net assets available for benefits.

The Net Assets Statement shows the assets available to fund benefits at the year end.

Notes to the Pension Fund Financial Statements

The Actuarial Value of Promised Retirement Benefits note provides information on the actuarial valuation, carried out in accordance with IAS 19, of the liabilities to pay pensions and other benefits in the future. This is an important supplement to the Net Assets Statement in the Fund's statement of accounts, which does not take account of liabilities to pay pensions and other benefits after the period end.

The other notes to the Pension Fund financial statements provide further detail on material items within the Fund Account and the Net Assets Statement.

A Glossary of key terms can be found at the end of this publication.

Annual Governance Statement 2021/22

Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk. Apart from employing its own officers and advisors, the Authority also receives support services from officers of Barnsley Metropolitan Borough Council (BMBC) under the terms of a service level agreement.

The Authority's Local Code of Governance complies with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government Framework 2016. A copy of the Authority's code is on our website [here](#).

The Local Code and this statement are also supported by the Governance Compliance Statement which the Authority is required to produce under s 55(1) of the Local Government Pension Scheme Regulations 2013, which is also available on our website.

This statement explains how the Authority has complied with the code and meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 relating to the preparation and approval of an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled, and the activities through which it accounts to and engages with employing bodies, pensioners, contributors, and other stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk: it can only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify risks to the achievement of the Authority's policies, aims and objectives. The system attempts to evaluate the likelihood of those risks being realised and the impact should they be realised and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

Outline of the Governance Framework

The Authority's framework of governance continues to evolve in line with best practice and is based upon the 7 Core Principles set out in the 2016 CIPFA/SOLACE guidance, *Delivering Good Governance in Local Government: Framework*. More details about the Authority's arrangements for ensuring compliance with each of the 7 Core Principles are set out in the Authority's Local Code of Corporate Governance which is available [here](#).

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Behaving with integrity

The Authority has in place codes of conduct covering the behaviour of both members and officers, which form part of its constitution, with appropriate mechanisms for ensuring that action can be taken where transgressions are reported. For officers these are reinforced through a framework of values and behaviours, including specific management behaviours, which are reflected upon at individual level as part of the appraisal system.

In line with the requirements of local government law elected members are required to complete declarations of interest which are publicly available and to declare any conflicts which might arise in discussion of specific matters at meetings of the Authority and its committees. Similar arrangements also apply to members of the Local Pension Board, although these are not governed by local government law, but by the Local Government Pension Scheme regulations and the Public Service Pensions Act 2013.

Registers of potential conflicts, including personal relationships are maintained for staff and a register of gifts and hospitality is maintained for both staff and officers.

The Authority maintains a comprehensive policy framework in relation to issues such as fraud and corruption and has a Whistleblowing Policy in place should any individual wish to make a confidential disclosure, as well as complaints policies in relation to quality of service, and statutory appeals processes in relation to decisions made under the Pensions Regulations.

Demonstrating strong commitment to ethical values

The Authority operates with an extremely strong value base in relation to ethical standards and values reflecting the seriousness of its responsibility as steward of the pension savings of a very large number of individual scheme members. This is reflected in the way in which the values and behaviours framework is central to both the Corporate Strategy and the appraisal process and the wider policy and constitutional framework covering issues such as recruitment and selection and procurement. The Authority also seeks to bring its commitment to these values into the role it plays within any partnership in which it participates, particularly the Border to Coast Pensions Partnership which is central to the delivery of its corporate objectives.

Respecting the rule of law

The Authority ensures that it is aware, through the employment of specialist officers and advisers, of the statutory requirements which are placed upon it and takes steps to ensure that it complies with them in an open and transparent way. This includes the maintenance of an up-to-date Constitution which is regularly reviewed and includes definitions of both the Corporate Planning Framework and Pensions Policy Framework, together with terms of reference for committees and an appropriate scheme of delegation to officers.

The Authority maintains up to date job descriptions / role profiles for all posts within the organisation and ensures that it has appropriately qualified statutory officers in post who are able to operate in a way which complies with the relevant professional codes.

Formal records are kept of decisions taken by both officers and members together with the advice considered in making such decisions, and a committee secretariat, provided by Barnsley MBC under a service level agreement, has supported the Authority's democratic processes during the year ensuring compliance with the relevant regulations. This function will be internalised within the Authority during the coming year.

The Authority has a formal policy on the reporting of breaches of the relevant pension regulations and any breaches which occur are reviewed by the Local Pension Board at each of its meetings. The Authority also has clear and effective policies in relation to fraud and corruption and participates in the National Fraud Initiative.

Principle B: Ensuring openness and comprehensive stakeholder engagement*Openness*

The Authority seeks to be as open as possible with stakeholders, conscious that it is the steward of the savings of around 170,000 individuals, working for close to 600 different employers. To this end it complies with its obligations under the Freedom of Information Act and makes a considerable volume of information automatically and freely available through its website, which has been significantly upgraded and redesigned during the year making information easier to find. The Freedom of Information Act Publication Scheme which specifies the information published by the Authority and how to access was updated last year and is now used as one means of signposting information electronically.

This includes a range of information on investment holdings, performance, the policy frameworks, and responsible investment issues such as how shares have been voted. In addition, the agendas and papers for the Authority, the various Committees and the Local Pension Board are published online a week before each meeting and all meetings are open to the public, and an increasing number of meetings are also webcast. Key decisions made by officers are formally recorded and details published on the website.

The pandemic has continued to result in some disruption to meeting arrangements during the year, and while in-person meetings have resumed, they have, until the latter part of the year, required social distancing measures to be in place which has impacted the nature of the debate. The Local Pension Board which is not subject to the same rules as the Authority, has amended its constitution during the year to provide for virtual and hybrid meetings, where appropriate, although the expectation is that in-person meetings will be the norm.

In order to promote clarity in the information provided to support decision making, reports for decision making bodies follow a standard format which ensures that, for example, implications for the financial position of the Authority of a decision are clearly explained. In addition, all reports for decision are required to outline relevant risk considerations, so that these can be understood by decision makers. All reports have to be “cleared” by the statutory officers prior to submission to elected members for decision.

In order to ensure decision makers can consider the views of stakeholders in a systematic way, when necessary, the Authority has adopted a Communications and Consultation Strategy which provides a standard framework for engaging with stakeholders.

Engaging comprehensively with employers and other institutional stakeholders

All engagement with employers takes place within the context of the Communications and Consultation Strategy which requires the results of any consultation process to be reported back alongside the actions proposed following the consultation.

Resources have been specifically allocated to support engagement with employers in order to support the maintenance of a productive and supportive relationship between them and the Authority.

In addition, the Authority has in place clear protocols regarding its participation in significant partnerships, the only one currently being the Border to Coast Pensions Partnership. Clearly defined roles are set out for each participant in the Partnership in its Governance Charter and the relevant legal agreements. Regular reports are provided to the Authority by officers on the activity and performance of the Partnership. The Authority’s participation in the Partnership is also subject to a comprehensive annual review which considers the achievement of both the Authority’s and the Partnership’s objectives.

Emphasis has continued to be placed on increasing the volume and improving the quality of interaction with employers and an employer forum session and survey have been undertaken during the year as well as the institution of a new employer newsletter. Responding to the Local Pension Board there has been an emphasis on monitoring the performance of employers in resolving data queries.

Engaging scheme members effectively

The processes for engaging with and understanding the views of scheme members are set out in the Communications and Consultation Strategy which applies to scheme members in the same way as employers. In addition, the Authority’s complaints and appeals processes are available to scheme members in relation either to quality of service, or specific decisions made under the LGPS regulations. Information from the complaints and appeals processes forms part of the Authority’s performance management framework and influences the development of policy, practice, and processes, including specific projects reflected in the Corporate Strategy. As part of its assurance and scrutiny role the Local Pension Board receives a quarterly report outlining the nature of all appeals and complaints and the subsequent actions and learning as well as quarterly information on the results of various rolling customer satisfaction surveys which examine specific aspects of the service to scheme members, which also include information on learning and actions from this feedback.

As a result of the pandemic, interaction with scheme members was moved entirely online and this has proved successful and popular with members, although the facility for face-to-face meetings will be restored in the coming year. Satisfaction survey data indicate that there has been no material change in levels of scheme member satisfaction with the quality of service as a result of the move to entirely remote interaction.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

The Authority sets out a clear vision supported by specific objectives which assist in the achievement of that vision within its Corporate Strategy which is at the heart of its corporate planning framework. Delivery against these objectives and key quality of service standards is reported quarterly to members of the Authority within a comprehensive report, allowing action to be taken to address any variations if required. All activity is undertaken within a risk management framework which covers all aspects of the Authority's work.

Sustainable economic, social and environmental benefits

The Authority's Responsible Investment Policy sets out how it reflects the balance between economic, social, environmental and governance issues within its investment decision making process and the areas where it seeks to move partners within the Border to Coast Pensions Partnership to a shared position. Responsible investment is central to the Authority's approach to the management of the funds for which it is responsible, and it is an active participant in a range of initiatives which seek to support the achievement of its objectives in this area. Development in this area has continued over the last year with the completion of an assessment of the impact of the Authority's investments on people and planet together with further updating of policies in the light of wider developments.

The Authority's decision making on key issues of this sort is transparent with appropriate decisions either taken in public meetings or published and supporting information placed in the public domain where possible, although it is impossible for market sensitive information to be placed in the public domain.

The Authority actively engages with groups seeking to influence its policies in different ways and uses its Communication and Consultation Strategy to seek views on issues where appropriate and it considers differing views when making decisions.

Beyond the investment sphere, the Authority maintains an Equality and Diversity Scheme to guide its approach to the delivery of fair access to its services for any individual with a protected characteristic.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

The Authority's officers ensure that when making decisions elected members have access to as much objective information as possible, as well as to the views of appropriately skilled and experienced independent advisers where specialist areas such as investment strategy are under consideration. Where members

require additional information, officers agree specific timescales for its provision. The corporate planning process and the medium-term financial strategy provide the means by which the Authority agrees the relative priority and resource requirements of specific interventions.

Planning interventions

The Authority has a well-defined and robust corporate planning framework with the review cycle linked at a high level to the major cyclical events impacting its operations (principally the triennial actuarial valuation of the Pension Fund). This framework is supported by well-established consultation arrangements ensuring that stakeholder views can influence plans where appropriate and a risk management framework that ensures that both risks to service delivery and risks impacting the assets and liabilities of the Pension Fund can be addressed holistically.

A robust framework for monitoring the delivery of all the various plans and strategies is in place with a comprehensive report including both financial and performance information presented to the Authority on a quarterly basis with more detailed reports covering pension administration presented quarterly to the Local Pension Board and on investment performance to the Authority. These reports highlight deviations from plans and identify and assess the risks relevant to the achievement of objectives as well as including information around feedback received and how it has been acted on.

Optimising achievement of intended outcomes

The Authority's medium-term financial strategy and corporate strategy draw on inputs from both stakeholder feedback mechanisms, the views of elected members and the Senior Management Team's assessment of developments in the wider external environment in order to direct resources to address priority areas. The medium-term financial strategy examines both the Authority's operating budget and the financial position of the Pension Fund ensuring that all areas of cost and income are fully taken into account.

In addition, given the centrality of being a responsible investor to the way in which the Authority invests the Pension Fund, regular publicly available reports are provided to the Authority detailing responsible investment activity undertaken and the outcomes achieved through this activity. These include summaries of the Fund's votes at company annual meetings. As part of this approach the Authority subscribes to the principles set out in the FRC's Stewardship Code which requires investors to report to stakeholders in a clear way on how they have managed the funds for which they are responsible.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

The Authority is very aware of both its cost base and performance and undertakes benchmarking of both of these across both the main streams of operational activity (pension administration and investment). The Authority has also opened itself up to external challenge through undertaking an independent review of governance in response to the Good Governance Review undertaken by the Scheme Advisory Board and through the appointment of an independent

adviser to the Local Pension Board in order to assist the Board in providing more robust challenge to officers. Steps have also been taken to equip members of the Audit Committee to enable them to provide more effective challenge.

The Authority's Human Resources Strategy also explicitly addresses the way in which the Authority plans and develops its workforce requirements.

Developing the capability of the entity's leadership and other individuals

The Authority has strong constitutional arrangements in place including an effective scheme of delegation, financial regulations and contract standing orders which define which individuals can take which decisions. These arrangements are subject to regular review.

Clear role profiles are in place for all posts within the organisation, which are linked to a consistent organisational design framework. The Director's role profile is agreed with elected members and this and the Constitution clearly set out the dividing lines between member and officer responsibilities. Means of maintaining regular dialogue between the Director and the Chair are agreed with each Chair on their taking office.

A Learning and Development Strategy is in place for elected members supported by the allocation of specific time within the overall programme of meetings. This strategy is set within the context of the CIPFA Knowledge and Skills Framework and has regard to the requirements of the Pensions Regulator and provides access to both in-house and external events as well as online learning and specific reading materials. A targeted induction programme is provided for new members. Members of both the Authority and the Local Pension Board are asked to self-assess their learning needs as part of developing the annual training programme.

For staff, access is provided to ongoing learning and development as necessary to support the goals set out in individual appraisals. In addition to competency-based progression through the pension administration career grade, this can include professional qualification training, external training courses and internally provided technical updates and system specific training. The career grade scheme for pension administration has been comprehensively revised during the year to make it more clearly competency based and better focussed on meeting the Authority's needs, and similar progression schemes have been developed for Customer Services and Pension Systems teams and for the two levels of the Senior Practitioner role.

All learning and development activity is supported through access to online resources through a range of systems such as online reading rooms, SharePoint, modern.gov and LinkedIn Learning.

The Authority has an appraisal system in place that is used to manage individual performance and to support the succession planning process which is in place in key risk areas and following the Director's appraisal for 2021, members of the Authority have asked him to bring forward proposals for strengthening organisational resilience during 2022.

Arrangements for Health Safety and Wellbeing continue to be given prominence with the addition during the year of a contractual arrangement for Health and Safety advice and the provision of a range of additional health and wellbeing support including workplace health checks and a range of webinars and other activities aimed at developing knowledge and understanding of key issues such as stress.

Over the course of the year, the Authority has agreed a range of changes to its organisation including the internalisation of arrangements for the provision of the roles of Treasurer and Monitoring Officer which will be completed during the coming year. In addition, the Director has been instructed to produce a medium-term plan to address issues of resilience and sustainability within the organisational structure for presentation to elected members during the coming year, reflecting a longer-term approach to resource planning.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Managing risk

A risk management policy framework is in place and was reviewed during the year by the Audit Committee which sets out clearly the responsibilities for managing the risks facing the organisation, how they should be assessed and reported. The risk register is reviewed on a monthly basis by the Senior Management Team with reporting on a quarterly basis to meetings of the Authority as part of the overall performance management framework, together with review and challenge by the Local Pension Board. In addition, during the year an appointment was made to the new role of Governance and Risk Officer, increasing the level of resource and amount of focus that can be devoted to this area.

Managing performance

The Authority has robust and transparent arrangements for the reporting and monitoring of its performance in place including clearly defined timetables for the reporting of information which have been added to during the year by the introduction of improved financial monitoring. Wherever possible data is placed in the public domain and statutory reporting timescales are adhered to.

Where appropriate these arrangements are supported by the use of benchmarking information and other external sources of comparison data.

Members and the Local Pension Board are encouraged to seek improvements in the data provided and officers have encouraged challenge within the monitoring process from both the Local Pension Board and members of the Authority, including through the appointment of an independent adviser to support the Local Pension Board in order to ensure that it is not being guided by officers.

The Authority welcomes external challenge and has opened itself up to such challenge through commissioning an external review of its governance arrangements and the implementation of the recommendations from this review was completed during the year. A further review will be undertaken during 2023/24 in line with the proposals set out in the Good Governance Project sponsored by the Scheme Advisory Board.

Assurance processes are in place over the production of performance management information which ensure that the reports provided to different bodies are consistent.

The processes for generating and presenting information continue to be subject to constant review and improvement to make it both easier to report and to understand the information generated. The processes to replace the investment accounting and financial management systems were completed during the

year and the replacement of the HR and Payroll system is scheduled for the coming year. A need has been identified for an integrated risk management and performance system which will be developed into a business case during the coming year.

Robust Internal Control

The Authority has an Audit Committee in place whose terms of reference are consistent with the relevant professional standards. The Committee has produced its own Annual report, available within the Governance section of the Authority's website, which sets out the work it has undertaken during the year.

The Committee is responsible for overseeing the work of Internal Audit which is provided by Barnsley MBC's Internal Audit Service and in particular ensuring that the Internal Audit plan addresses key control risks facing the Authority. The Head of Internal Audit is required under the relevant professional standards to produce an annual opinion on the adequacy of the control environment. For 2021/22 this opinion is that "based on the systems reviewed and reported on by Internal Audit during the year to date, together with management's response to issues raised, I am able to give a reasonable (positive) assurance opinion regarding the effectiveness of the control, risk and governance environment."

The Audit Committee has instituted a process of reviewing the progress made in implementing audit recommendations to ensure that the control environment continues to be strengthened as a result of the audit process.

The Audit Committee has reviewed the policy framework for Risk Management during the year and approved updated policies in line with relevant professional standards and which are suited to the scale and nature of the organisation's activities.

While some improvements have been made in the level of challenge provided by the Audit Committee, through the provision of additional briefing sessions for members this remains a work in progress and further developments will be undertaken over the coming year.

Managing Data

High quality data is central to the effectiveness of the organisation in its core function as a pension administrator. The Authority has a strong policy framework in place to ensure both the security and integrity of the large quantities of data which it holds. This includes the Authority's Director acting as the Senior Information Risk Owner (SIRO) and the Head of Internal Audit as the Data Protection Officer. Arrangements for the SIRO role will change in the coming year following the appointment to the new role of Corporate Manager – Governance.

The Authority has received the Cyber Essentials + accreditation from government in relation to its arrangements for information security.

The work of the Data Protection Officer is supported by an annual programme of review activity to ensure that the policy framework is being complied with.

An annual assessment of the quality of data held for pension administration purposes is undertaken and a data improvement plan is produced to ensure that any issues identified are addressed. Progress with delivering the data improvement plan is overseen by the Local Pension Board.

During the coming year the role of Senior Information Risk Owner will be passed to the new role of Corporate Manager – Governance who will provide additional resource to support the ongoing development of the information governance framework.

Strong public financial management

The Authority is steward of a very large pension fund and therefore strong financial management is crucial to its effective operation. A strong framework of budgetary control is in place which has been enhanced in the last year with improvements in both budget preparation and financial monitoring. Key projects are required to operate within defined budgets which receive approval through the appropriate decision-making processes.

The Authority's Medium Term Financial Strategy defines various fiscal rules which constrain the growth in expenditure, mirroring to some extent, the constraints which apply to conventional local authorities through the council tax capping regime.

Principle G: Implementing good practices in transparency and audit to deliver effective accountability

Implementing good practice in transparency

The Authority seeks to be open and transparent in all its activities maintaining the minimum amount of information possible as confidential. Therefore, the Authority publishes a very significant amount of information about its services and activities on its website www.sypensions.org.uk including for example details of investment holdings and voting records. The agendas and public reports for all meetings of the Authority, its committees and the Local Pension Board are published on the internet and the public parts of meetings of the Authority (and more recently of committees and the Local Pension Board) are webcast. The Authority's annual report also contains a significant amount of information on its activities in a more user-friendly format. The Freedom of Information Publication Scheme has been updated during the last year and this provides clear signposting to the information which is publicly available and where it can be found.

The Authority took steps, as indicated elsewhere in this statement, to ensure that the pandemic did not negatively impact on the transparency of its operations.

Implementing good practice in reporting

The Authority regards "telling its story" as an organisation in terms of both its activity and the way in which it demonstrates both value for money and effective stewardship of scheme members' savings as a key activity. For key documents such as the Annual Report and Accounts, the Authority follows the relevant professional codes in terms of the provision of information and seeks to go beyond them where possible, particularly in terms of presenting the information in a way which allows the reader to set information in the context of the Authority's work and easily understand it.

In order to promote greater understanding by stakeholders of its investment portfolios and support its goals in terms of decarbonisation of its investments the Authority has commissioned the production of an impact report for 2020/21 which was published in March 2022. This analyses the impact of the Authority's investments on people and planet using the UN Sustainable Development Goals as an analysis framework.

The Authority uses the governance framework set out in the Local Code of Corporate Governance to ensure that the information provided in reporting is accurate and consistent and that the same standards are met by key partnerships such as the Border to Coast Pensions Partnership.

Assurance and effective accountability

The Internal Audit function operates under a charter which conforms to the relevant public sector internal audit standards ensuring that the Authority complies with the relevant professional standards.

The Audit Committee has adopted a process of reviewing progress with the implementation of audit recommendations to ensure that improvements are being delivered as a result of work carried out by both internal and external audit and potentially other review agencies when the Scheme Advisory Board's Good Governance reforms are introduced.

The Authority has now completed implementation of the recommendations made in Hymans Robertson's review of its governance, pre-empting the Good Governance standards. The Authority has also appointed an independent adviser to support the Local Pension Board in providing effective challenge and scrutiny, and the Board has conducted its own review of its effectiveness.

All of these arrangements also apply to the way in which the Authority engages with various partners and a comprehensive process of gathering assurance from those managing money on behalf of the Authority is undertaken each year. In particular the Authority seeks to ensure that the activity undertaken on its behalf by the Border to Coast Pensions Partnership reflects the agreed Governance Charter which applies similar standards to the Authority's arrangements in the Partnership's unique context.

Governance Issues

The COVID-19 pandemic continued to impact Britain throughout the period under review and while, at the time of writing restrictions have been lifted, the pandemic continues to influence the way in which the Authority is operating and key management issues such as the level of staff sickness.

The processes described above have identified the following governance issues for attention. Some of these are longer term issues and as such continue to feature from previous statements. The outcome of the Annual Governance Review suggests that the following significant governance issues need to be included in the 2021/22 Annual Governance Statement Action Plan. These are:

- The need to conduct a comprehensive review of the Constitution to reflect the new statutory officer arrangements to be introduced in April 2023 and ensure that it is up to date in terms of changes in key regulations such as those arising from the UK's exit from the European Union.

- The need to further embed the appraisal process and link it to the organisation’s values including adjusting the appraisal year so that appraisals are conducted away from key workload peaks and to ensure that training needs are effectively collated to support a corporate training programme.
- The need to review a range of processes and plans around business continuity and health and safety now that the Authority occupies its own building.
- The need to develop a longer-term view of the Authority’s resource requirements and ensure that identified gaps are addressed.
- The need to link programme and project management arrangements more clearly to actions identified in the Corporate Strategy and other key plans.
- The need to make better use of information in managing performance.
- The ongoing need to strengthen internal governance building on the changes to staffing and service delivery arrangements already agreed.
- The need to reinvigorate the approach to staff engagement following a long period of entirely remote working which has made this more difficult.

The actions taken to date to address these have or will be reported to the Authority and the Audit Committee. Progress in implementing these improvement actions will be monitored by Managers and Internal Audit and through regular reports to the Authority and its Committees.

<p>Signed:</p>  <p>Chair South Yorkshire Pensions Authority</p>	<p>Signed:</p>  <p>Director South Yorkshire Pensions Authority</p>
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APPENDIX A

Annual Governance Statement Action Plan for Completion in 2022/23			
Issue	Action Required	Responsible Officer	Date for Completion
Need to update the Constitution	Full review of the Constitution to be commissioned using legal advisers	Corporate Manager – Governance	March 2023
Improvements to the appraisal process and training plan	Changes to appraisal documentation and appraisal year, additional training for managers and move to an online system	Head of Finance and Corporate Services & HR Business Partner	June 2023
Updates to Business Continuity and Health and Safety arrangements	Review of arrangements in light of the move to the Authority's own premises and to fully document arrangements beyond those specifically related to ICT which are already documented	Head of Finance and Corporate Services	March 2023
Organisational resilience and sustainability	Prepare medium term proposals addressing both succession planning and resilience for implementation over the Corporate Strategy period	Director	December 2022
Strengthen project management	Implement arrangements to support individual project managers with scoping, planning, delivering and reporting on corporate strategy projects	Team Manager – Programmes and Performance	March 2023

Annual Governance Statement Action Plan for Completion in 2022/23			
Issue	Action Required	Responsible Officer	Date for Completion
Strengthen corporate performance management and reporting	Introduce arrangements for the centralised production of performance information allowing managers to focus on interpretation and follow up action	Team Manager – Programmes and Performance	March 2023
Strengthen internal governance	Update and refresh the arrangements around key processes such as procurement, information governance, decision recording and scheme of delegation.	Corporate Manager – Governance	March 2023
Reinvigorate staff engagement	Implement action plan developed following staff feedback	Senior Management Team	March 2023

Independent Auditor's Report

The independent auditor's report to the members of South Yorkshire Pensions Authority will be placed here following conclusion of the audit.

Independent Auditor's Report

The independent auditor's report to the members of South Yorkshire Pensions Authority on the statements of the South Yorkshire Pension Fund will be placed here following conclusion of the audit.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Page 98 In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Treasurer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer's Certificate

I certify that the accounts give a true and fair view of the financial position of South Yorkshire Pensions Authority at 31 March 2022 and its income and expenditure for the year then ended.

N Copley BA (Hons), CPFA

Treasurer

Date: 22 June 2022

Approval of the Statement of Accounts

To be added following audit and approval.

Comprehensive Income And Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) summarises the resources that have been generated and consumed, in the process of providing services and managing the Authority during the year. The statement includes all the day to day expenses and related income on an accruals basis.

	2020/21			Notes	2021/22		
	Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
	2,798,006	(79,562)	2,718,444	Pensions Administration	3,200,787	(87,425)	3,113,362
	881,135	0	881,135	Investment Strategy	750,324	0	750,324
	848,556	0	848,556	Finance & Corporate Services	976,325	0	976,325
	710,654	(63,831)	646,823	ICT	846,266	(108,980)	737,286
	503,274	0	503,274	Management & Corporate Costs	453,453	0	453,453
	122,033	0	122,033	Democratic Representation	132,264	0	132,264
	5,863,658	(143,393)	5,720,265	Cost of Services	6,359,419	(196,405)	6,163,014

2020/21				2021/22			
Gross Expenditure £	Gross Income £	Net Expenditure £	Notes	Gross Expenditure £	Gross Income £	Net Expenditure £	
0	(5,808,141)	(5,808,141)	Other Operating Income	[9]	0	(5,982,548)	(5,982,548)
Financing and Investment Income and Expenditure:							
280,000	0	280,000	Net Interest on the Net Defined Benefit Liability	[24]	295,000	0	295,000
0	(363,642)	(363,642)	Taxation Income	[9]	0	(337,477)	(337,477)
6,143,658	(6,315,176)	(171,518)	(Surplus) or Deficit on Provision of Services	[9]	6,654,419	(6,516,430)	137,989
		1,352,000	Remeasurements of the Net Defined Benefit Liability	[24]			(3,943,524)
		1,352,000	Other Comprehensive Income and Expenditure				(3,943,524)
		1,180,482	Total Comprehensive Income and Expenditure				(3,805,535)

Movement In Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year of the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the charges to funds under management) and other 'unusable reserves'. Credit balances represent a positive reserve position. The Surplus on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable on a funding basis for the year. Due to the fact that the Authority charges its expenditure to the South Yorkshire Pension Fund, the Authority retains no balance on its General Fund.

Movement In Reserves During 2021/21:	General Fund Balance	ICT Development Reserve	Corporate Strategy Reserve	Capital Projects Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Balance At 1 April 2021	0	(118,300)	(238,500)	(1,254,467)	(1,611,267)	13,846,710	12,235,443
Deficit On The Provision Of Services	137,989	0	0	0	137,989	0	137,989
Other Comprehensive Income & Expenditure	0	0	0	0	0	(3,943,524)	(3,943,524)
Total Comprehensive Income & Expenditure	137,989	0	0	0	137,989	(3,943,524)	(3,805,535)
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	929,412	0	0	0	929,412	(929,412)	0
Net Increase Before Transfers To Earmarked Reserves	1,067,401	0	0	0	1,067,401	(4,872,936)	(3,805,535)
Transfers (To)/From Earmarked Reserves (Note 8)	(1,067,401)	(87,650)	39,700	1,115,351	0	0	0
(Increase)/Decrease in 2021/22	0	(87,650)	39,700	1,115,351	1,067,401	(4,872,936)	(3,805,535)
Balance At 31 March 2022 Carried Forward	0	(205,950)	(198,800)	(139,116)	(543,866)	8,973,774	8,429,908

Movement In Reserves During 2020/21:	General Fund Balance	ICT Development Reserve	Corporate Strategy Reserve	Capital Projects Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Balance At 1 April 2020	0	(112,383)	(232,831)	(665,500)	(1,010,714)	12,065,675	11,054,961
Surplus On The Provision Of Services	(171,518)	0	0	0	(171,518)	0	(171,518)
Other Comprehensive Income & Expenditure	0	0	0	0	0	1,352,000	1,352,000
Total Comprehensive Income & Expenditure	(171,518)	0	0	0	(171,518)	1,352,000	1,180,482
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(429,035)	0	0	0	(429,035)	429,035	0
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	(600,553)	0	0	0	(600,553)	1,781,035	1,180,482
Transfers (To)/From Earmarked Reserves (Note 8)	600,553	(5,917)	(5,669)	(588,967)	0	0	0
(Increase)/Decrease in 2020/21	0	(5,917)	(5,669)	(588,967)	(600,553)	1,781,035	1,180,482
Balance At 31 March 2021 Carried Forward	0	(118,300)	(238,500)	(1,254,467)	(1,611,267)	13,846,710	12,235,443

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves available to the Authority to provide services. The Authority must maintain a prudent level of these reserves for unexpected events. The second category of reserves is unusable reserves, i.e. those that the Authority is not able to use to provide services.

31 March 2021		Note	31 March 2022
£			£
85,429	Property, Plant & Equipment	[10]	1,405,306
25,183	Intangible Assets	[11]	181,622
110,612	Long Term Assets		1,586,928
2,688,908	Short Term Debtors	[13]	1,951,013
445	Cash and Cash Equivalents	[14]	720
2,689,353	Current Assets		1,951,733
(1,136,133)	Short Term Creditors	[15]	(1,412,570)
(1,136,133)	Current Liabilities		(1,412,570)
(24,000)	Long Term Provision	[19]	(48,744)
(13,875,275)	Pensions Liability	[24]	(10,507,255)
(13,899,275)	Long Term Liabilities		(10,555,999)
(12,235,443)	Net Assets		(8,429,908)
(1,611,267)	Usable Reserves	[8]	(543,866)
13,846,710	Unusable Reserves	[16]	8,973,774
12,235,443	Total Reserves		8,429,908

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The Authority has no cash flows from financing activities due to the nature of the Authority's work which is entirely related to the administration of the South Yorkshire Pension Fund.

31 March 2021		Note	31 March 2022
£			£
171,518	Net Surplus or (Deficit) on the Provision of Services		(137,989)
(93,943)	Adjustment to Net Surplus or Deficit on the Provision of Services For Non-Cash Movements	[17]	1,410,476
77,575	Net Cash Flows from Operating Activities		1,272,487
(77,575)	Net Cash Flows from Investing Activities	[18]	(1,272,212)
0	Net Increase or (Decrease) in Cash & Cash Equivalents		275
445	Cash & Cash Equivalents at the Beginning of the Reporting Period	[14]	445
445	Cash & Cash Equivalents at the End of the Reporting Period	[14]	720

Note 1. Expenditure And Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. As a single purpose Authority, most expenditure is charged to the Pension Fund and, with the exception of earmarked reserves, there is no balance retained on the General Fund at the end of either the current or prior year. This note also shows how the expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Page 106	2020/21			2021/22			
	Net Expenditure chargeable to General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the CIES	Net Expenditure chargeable to General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the CIES	
	£	£	£	£	£	£	
	2,478,072	240,372	2,718,444	Pensions Administration	2,798,773	314,589	3,113,362
	842,288	38,847	881,135	Investment Strategy	708,986	41,338	750,324
	735,483	113,073	848,556	Finance & Corporate Services	867,310	109,015	976,325
	560,965	85,858	646,823	ICT	635,849	101,437	737,286
	430,003	73,271	503,274	Management & Corporate Costs	368,083	85,370	453,453
	118,181	3,852	122,033	Democratic Representation	124,023	8,241	132,264
	5,164,992	555,273	5,720,265	Net Cost of Services	5,503,024	659,990	6,163,014

2020/21			2021/22			
Net Expenditure chargeable to General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the CIES		Net Expenditure chargeable to General Fund	Adjustments between the funding and accounting basis	Net Expenditure in the CIES
£	£	£		£	£	£
(5,765,545)	(126,238)	(5,891,783)	Other Income and Expenditure	(4,435,623)	(1,589,402)	(6,025,025)
(600,553)	429,035	(171,518)	(Surplus) or Deficit on Provision of Services	1,067,401	(929,412)	137,989
(1,010,714)			Opening General Fund and Earmarked Reserves Balance	(1,611,267)		
(600,553)			Plus (Surplus) or Deficit for the Year	1,067,401		
(1,611,267)			Closing General Fund and Earmarked Reserves Balance	(543,866)		

Note 2. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 (the 2003 Act) primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost.

The financial statements have been prepared on the going concern basis which assumes that the Pensions Authority will continue in existence for the foreseeable future. The Authority is the administering authority of the South Yorkshire Pension Fund and as such, its expenses are borne by the Fund it administers.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet.
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Interest receivable on investments is accounted for in the year to which it relates.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits held with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The Expenditure and Funding Analysis provides the Authority's segmental analysis and the service section of the Comprehensive Income and Expenditure Statement follows the same segmental analysis. In line with Code requirements, the reportable segments are based on the Authority's internal management reporting. Where changes occur to the reportable segments as a result of re-organisation, comparative figures for the prior year are re-stated to match the new format in accordance with the requirements set out in the Code.

v. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the net cost of services in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Authority participates in the Local Government Pension Scheme (LGPS) which it also administers. The Local Government Pensions Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on bond yields as at the date of calculation.

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - Quoted securities - current bid price
 - Unquoted securities - professional estimate
 - Unitised securities - current bid price
 - Property - market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure; and
 - Contributions paid to the Fund by the employer – cash paid as employer contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

vi. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the accounting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, creditors, debtors, investments and bank deposits of the Authority.

Cash, debtors and creditors are the Authority's only financial instruments; these are disclosed on the Balance Sheet, and are classified as financial assets at amortised cost, and financial liabilities at amortised cost, respectively.

viii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefit or service potential will flow from the intangible asset to the Authority. Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life on a straight line basis. The assets are funded directly from revenue and charged to the Fund. The capital element is then adjusted in the Capital Adjustment Account.

ix. Property, Plant and Equipment

Assets that have a physical substance and are held for use in the supply of services or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Assets are then carried in the Balance Sheet at depreciated historical cost, due to the assets having short useful lives or low values (or both).

Impairment

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

Depreciation is calculated on the following basis:

- Vehicles, plant, furniture and equipment – on a straight line basis, as advised by a suitably qualified officer.

Disposals

When an asset is disposed or decommissioned, the carrying amount of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Any amounts written off on disposals will not be a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

x. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases - The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

xi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

xii. Provisions and Contingent Liabilities**Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xiii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for non-current assets and for retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

xiv. VAT

The Authority has partial exemption from VAT, as such not all VAT suffered is recoverable. Income and expenditure items are accounted for net of VAT; however, the irrecoverable VAT expense is charged to the relevant services in the Comprehensive Income and Expenditure Statement.

Note 3. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, the Authority is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2022 but not yet adopted by the Code. It is anticipated that the 2022/23 Code will introduce amendments in respect of:

> IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Annual Improvements to IFRS Standards 2018–2020:

The annual IFRS improvement programme notes 4 changed standards as specified below. These are not covered in detail in the 2022/23 Code as they are not expected to have any significant impact in local authority financial statements.

> IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

> IAS 37 (Onerous contracts) – clarifies the intention of the standard

> IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material

> IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

At the date these accounts have been authorised for issue, the 2022/23 Code has not yet been published. However, the amendments above are not expected to have any significant impact on the Authority's accounts.

Page 114

Note 4. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The item estimated in the Authority's Balance Sheet at 31 March 2022 where there is significant estimation uncertainty that could result in a material adjustment within the next financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example:</p> <ul style="list-style-type: none"> > A 0.1% decrease in the discount rate assumption would result in an increase to the pension liability of approximately 2% or £799,000 > A one year increase in the life expectancy assumption would result in an increase to the pension liability of approximately 4% or £1,568,000 > A 0.1% increase in the salary inflation rate assumption would result in an increase to the pension liability of approximately 1% or £200,000 > A 0.1% increase in the pension increase rate assumption would result in an increase to the pension liability of approximately 2% or £590,000. <p>However, the assumptions interact in complex ways. During 2021/22, the Authority’s actuaries advised that the net pensions liability had decreased by £1,994,000 due to updating of the financial assumptions and had increased by £209,000 due to estimates being corrected as a result of experience.</p>

Impact of Ukraine War on Pensions Liability

The effect of the war in Ukraine on the accounting position is quite small; in summary the relevant effects are as follows. In the immediate aftermath of the invasion, there was a fall in the Fund's asset values. However, over the remainder of March 2022 the assets broadly recovered to similar levels as before the invasion. The accounting assumptions (bond yields and inflation) are based on market expectations at 31 March 2022, which were shaped by all global events including the war in Ukraine, and will therefore have affected the value placed on the defined benefit obligation.

Impact of COVID-19 on Mortality Assumptions for Pensions Liability

The current population mortality projections used by the actuary in estimating the pensions liability make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates for mortality improvement are based on projections of past trends in UK mortality and the effect of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. The actuary has concluded that as at 31 March 2022, it is not appropriate to amend the baseline or future longevity assumptions as the data is not yet available to make an evidence-based assessment on the pandemic's impact on long term longevity. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future years' accounts.

Note 5. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 22 June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-Adjusting Event

The financial statements and notes have not been adjusted for the following event taking place after 31 March 2022 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date.

Contingent Liability - McCloud Judicial Review

In December 2021, several unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism for public sector pension schemes. On 4 July 2022, the judicial review was granted permission to be heard, with no further detail currently available on the timeline for a hearing. Even if the judicial review is successful, it is unclear what remedy the court may order, and the Government would then need to consider how to proceed following that. Any attempt to predict such outcomes would be highly speculative at this stage.

Note 6. Supplementary Information to Note 1. Expenditure & Funding Analysis

This note provides further information and a breakdown of the adjustments shown in Note 1 Expenditure & Funding Analysis to show how the figures accounted for in the Comprehensive Income and Expenditure Statement are adjusted from accounting basis to funding basis.

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	Adjustments between funding and accounting basis 2021/22			
	Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Adjustments	Total Adjustments
	£	£	£	£
Pensions Administration	0	339,199	(24,610)	314,589
Investment Strategy	0	44,971	(3,633)	41,338
Finance & Corporate Services	0	113,211	(4,196)	109,015
ICT	46,547	61,418	(6,528)	101,437
Management & Corporate Costs	24,062	50,941	10,367	85,370
Democratic Representation	0	8,241	0	8,241
Net Cost of Services	70,609	617,981	(28,600)	659,990
Other Income and Expenditure from the Expenditure & Funding Analysis	(1,546,925)	(42,477)	0	(1,589,402)
Difference Between General Fund Deficit and the CIES Deficit on the Provision of Services	(1,476,316)	575,504	(28,600)	(929,412)

Adjustments between funding and accounting basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	Adjustment for Capital Purposes £	Net Change for		Total Adjustments £
		Pensions Adjustments £	Other Statutory Adjustments £	
Pensions Administration	0	217,131	23,241	240,372
Investment Strategy	0	31,830	7,017	38,847
Finance & Corporate Services	0	104,031	9,042	113,073
ICT	44,494	36,965	4,399	85,858
Management & Corporate Costs	0	73,271	0	73,271
Democratic Representation	0	3,852	0	3,852
Net Cost of Services	44,494	467,080	43,699	555,273
Other Income and Expenditure from the Expenditure & Funding Analysis	(42,596)	(83,642)	0	(126,238)
Difference Between General Fund Surplus and the CIES Surplus on the Provision of Services	1,898	383,438	43,699	429,035

Note 7. Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. All expenditure of the Authority that is charged to the General Fund is then fully charged to the Pension Fund.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of an Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice.

Page 119

2020/21		2021/22
£	<i>Adjustments to Revenue Resources</i>	£
General Fund		General Fund
(44,494)	Reversal of Entries Included in the Surplus or Deficit on Provision of Services in Relation to Capital Expenditure (Transferred to Capital Adjustment Account)	(70,609)
(383,438)	Pensions Costs (Transferred to the Pensions Reserve)	(575,504)
(43,699)	Holiday Pay (Transferred (to)/ from the Accumulated Absences Adjustment Account)	28,600
(471,631)	Total Adjustments to Revenue Resources	(617,513)
	<i>Adjustments Between Revenue and Capital Resources</i>	
42,596	Capital Expenditure Financed from Revenue Balances (Transferred to the Capital Adjustment Account)	1,546,925
42,596	Total Adjustments Between Revenue and Capital Resources	1,546,925
(429,035)	Total Adjustments	929,412

8. Transfers (To) / From Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Balance at 1 Apr 2020	Transfers Out	Transfers In	Balance at 31 Mar 2021	Transfers Out	Transfers In	Balance at 31 Mar 2022
	£	£	£	£	£	£	£
Corporate Strategy Reserve	(232,831)	24,331	(30,000)	(238,500)	184,700	(145,000)	(198,800)
ICT Development Reserve	(112,383)		(5,917)	(118,300)	0	(87,650)	(205,950)
Capital Projects Reserve	(665,500)		(588,967)	(1,254,467)	1,220,470	(105,119)	(139,116)
Total:	(1,010,714)	24,331	(624,884)	(1,611,267)	1,405,170	(337,769)	(543,866)

Page 120

Corporate Strategy Reserve

This reserve exists to fund non-recurrent costs associated with various projects required for the implementation of the Corporate Strategy of the Authority.

Amounts from this reserve have been used during the year in line with plans as follows:

- > £95,000 has been used for financing the Oakwell House office refurbishment project;
- > £55,000 has been used to fund the costs of business systems replacements;
- > £24,700 has been used to fund the 2021/22 cost in relation to the provision for retention incentive scheme payments as set out in Note 19; and
- > £10,000 has been used to fund the 2021/22 costs of the HR Undergraduate placement.

An amount of £145,000 has been transferred into this reserve at the end of the year from the under-spend on the operational budget of the Authority. This will ensure that the reserve is sufficient to meet the costs of future projects to deliver the corporate objectives.

ICT Development Reserve

This reserve is used to fund expenditure on ICT equipment and to enable a programme of hardware replacement and systems development for the Authority.

The following transfers into the reserve have taken place during the year.

- > £43,650 from income generated from the sales of in-house developed software to other organisations; and
- > £44,000 has been set aside for financing costs in future years for the laptops replacement programme.

Capital Projects Reserve

This reserve was established in order to finance the major projects from the Corporate Strategy - specifically the Oakwell House office accommodation project, and the new pensions administration software system. During the year, amounts from this reserve have been used for these projects as follows.

> £1,035,770 for Oakwell House office accommodation project; and

> £184,700 for the pensions administration software system.

Going forward, the reserve will be maintained for the financing of future projects and expenditure in relation to the office accommodation and any further major systems purchases (including a new HR and Staff Payroll system).

An amount of £105,119 has been transferred into this reserve at the end of the year.

Note 9. Expenditure And Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

2020/21	Expenditure	2021/22
£		£
3,870,894	Employee Benefits Expenses	3,712,619
44,494	Depreciation and Amortisation	70,609
1,585,729	Other Service Expenses	2,039,243
362,541	Irrecoverable VAT Expense	536,948
280,000	Net Interest on the Net Defined Benefit Liability	295,000
6,143,658	Total Expenditure	6,654,419
2020/21	Income	2021/22
£		£
	<i>Fees, Charges & Other Service Income:</i>	
(63,831)	Charges for provision of IT services and IT sales	(108,980)
(37,100)	Charges for administration in relation to employer recharges for actuarial services	(38,825)
(38,517)	Charges for administration in relation to payroll	(37,019)
(2,945)	Charges to scheme members in relation to information provision on receipt of pension sharing orders upon divorce	(4,581)
(1,000)	Other Income	(7,000)
(143,393)	Subtotal Fees, Charges and Other Service Income	(196,405)

2020/21	Income	2021/22
£		£
	<i>Other Operating Income:</i>	
(5,808,141)	Charge to the South Yorkshire Pension Fund	(5,982,548)
	<i>Taxation Income</i>	
(363,642)	Levy for Residual Liabilities	(337,477)
(6,171,783)	Subtotal Other Income	(6,320,025)
(6,315,176)	Total Income	(6,516,430)
(171,518)	Surplus on the Provision of Services	137,989

Fees, Charges and Other Service Income - Recognition

Income from the provision of IT services and sales of internally developed IT systems to other public sector bodies is recognised in the period in which the services are provided. The £108,980 income in 2021/22 includes £65,334 (2020/21: £57,894) charged to the Office of the Police and Crime Commissioner and the South Yorkshire Joint Authorities Governance Unit for IT service provision; this is charged in four equal quarterly instalments on the basis of a set fee agreed for each financial year and the income is recognised in the year in which the services are provided. £43,646 ICT income is in relation to sales of internally developed software products (EPIC and DART) to other LGPS pension funds and maintenance of this software. The income for the sale of software licences is recognised at the date of sale, and the income for software maintenance services is recognised over the period for which the fee is charged.

An administration fee is charged to employers in order to cover the costs of the Authority in relation to the handling of requests and other requirements for various actuarial services including provision of reports and information. This is calculated as a percentage of the fees charged by the actuary for these services and the income is recognised in the period when the services are provided.

The administration fee in respect of payroll relates to the administering of deductions from pension for members who have a health insurance plan provided by Westfield Health and the payment of these to the provider. The fee is charged as a percentage of the total amount deducted and paid over on a monthly basis and the income is recognised in the month to which it relates.

Other Operating Income

The Authority incurs costs in the discharge of its functions as the administering authority of the South Yorkshire Pension Fund. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Authority charges its costs to the Fund as they are incurred. The total charge to the South Yorkshire Pension Fund is recognised as Other Operating Income in the Authority's CIES for the year to which it relates.

Taxation Income

The costs and expenses incurred in administering the residual liabilities of the former South Yorkshire Residuary Body are financed by a Levy issued to the four district councils of Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council. The Levy is charged in accordance with The Levying Bodies (General) Regulations 1992 and is allocated to each district in proportion to their populations. The total received is recognised as Taxation Income in the Authority's CIES for the year to which it relates.

Note 10. Property, Plant and Equipment

Movements in 2021/22:	Vehicles, Plant, Furniture & Equipment - Oakwell House £	Vehicles, Plant, Furniture & Equipment - Laptops	Assets Under Construction £	Total Property, Plant and Equipment £
Cost				
At 1 April 2021	0	73,144	29,311	102,455
Additions	1,362,225	0	0	1,362,225
Transfers from AUC	29,311	0	(29,311)	0
At 31 March 2022	1,391,536	73,144	0	1,464,680
Accumulated depreciation				
At 1 April 2021	0	(17,026)	0	(17,026)
Depreciation charge	(24,062)	(18,286)	0	(42,348)
At 31 March 2022	(24,062)	(35,312)	0	(59,374)
Net Book Value At 31 March 2022	1,367,474	37,832	0	1,405,306
Net Book Value At 31 March 2021	0	56,118	29,311	85,429

Comparative Movements in 2020/21:

	Vehicles, Plant, Furniture & Equipment - Laptops	Assets Under Construction	Total Property, Plant and Equipment
		£	£
Cost			
At 1 April 2020	59,859	0	59,859
Additions	13,285	29,311	42,596
At 31 March 2021	73,144	29,311	102,455
Accumulated depreciation			
At 1 April 2020	0	0	0
Depreciation charge	(17,026)	0	(17,026)
At 31 March 2021	(17,026)	0	(17,026)
Net Book Value At 31 March 2021	56,118	29,311	85,429
Net Book Value At 31 March 2020	59,859	0	59,859

The Oakwell House asset represents the value of the major refurbishment project on the Authority's office accommodation and includes full mechanical and electrical plant, solar panels, furniture, fittings and equipment. The practical completion date and handover was 06 December 2021 and the asset is being depreciated from 1 January 2022.

The Laptops asset represents the value of laptop computers purchased during 2020/21 to enable all staff to work at home. There have been no additions to this asset during the year.

Depreciation

· Vehicles, plant, furniture and equipment: Oakwell House

The Oakwell House asset comprises two components with different useful economic lives as follows:

> Audio-visual equipment and fittings: In line with advice from the Corporate ICT and Digital Manager, a useful life of 10 years has been determined for this component. Depreciation is therefore charged over 120 months on a straight line basis commencing in the month following acquisition.

> The remaining plant, furniture, fittings and equipment component has been determined as having a useful economic life of 15 years. Depreciation is therefore charged over 180 months on a straight line basis commencing in the month following acquisition.

· Vehicles, plant, furniture and equipment: Laptops

It has been determined that the laptops have a useful economic life of 4 years.

Depreciation is charged over 48 months on a straight line basis commencing in the month following acquisition.

Note 11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

The Authority's licence for its Pensions Administration software is the only intangible asset held. In February 2022, the previous licence for this software expired and a new contract was entered into for a new 5 year licence from this date. This has been accounted for as an addition in 2021/22 and is being amortised over 60 months starting from March 2022. The carrying value of the expired licence was nil as at the end of February 2022 and has been written out as a disposal in March 2022.

The amortisation charge of £28,261 in 2021/22 (£27,468 in 2020/21) was charged to the ICT service line within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2020/21		2021/22
Pensions Administration System		Pensions Administration System
£		£
	Balance at Start of Year:	
541,840	Gross Carrying Amount	541,840
(489,189)	Accumulated Amortisation	(516,657)
52,651	Net Carrying Amount at Start of Year	25,183
0	Additions - Purchase	184,700
(27,468)	Amortisation for the Period	(28,261)
	<i>Disposals - Fully Amortised Asset:</i>	
0	Gross Carrying Amount Disposed	(541,840)
0	Accumulated Amortisation Disposed	541,840
25,183	Net Carrying Amount at End of Year	181,622
	Comprising:	
541,840	Gross Carrying Amount	184,700
(516,657)	Accumulated Amortisation	(3,078)

Note 12. Financial Instruments

31 March 2021		31 March 2022
£		£
	Financial Assets at Amortised Cost	
2,377,771	Short Term Debtors	1,741,053
445	Cash and Cash Equivalents	720
<u>2,378,216</u>	Total Financial Assets at Amortised Cost	<u>1,741,773</u>
	Financial Liabilities at Amortised Cost	
(499,317)	Short Term Creditors	(777,498)
<u>(499,317)</u>	Total Financial Liabilities at Amortised Cost	<u>(777,498)</u>
<u><u>1,878,899</u></u>	Total Financial Instruments	<u><u>964,275</u></u>

The short term debtors classified as financial assets do not include prepayments.

The short term creditors classified as financial liabilities do not include statutory creditors in respect of taxes payable to HMRC.

Nature and Extent of Risks Arising From Financial Instruments

The Authority's activities expose it to the following financial risks:

- Credit risk – the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.
- Liquidity risk – the risk that an entity (the Fund) will have difficulties in paying its financial liabilities.

As the Authority's primary purpose is as the administrator of the South Yorkshire Pension Fund, the management of risk in relation to financial instruments is mainly relevant to the Fund itself and is covered in detail in Note 18 to the South Yorkshire Pension Fund Accounts that follow.

All of the Authority's income and expenditure is charged directly to the Fund (or financed from the Levy in respect of residual liabilities), therefore market risks and liquidity risks are managed by the Fund.

All of the Authority's financial instrument debtors and creditors are short term and have been assessed for likelihood of default. All are anticipated to be paid or received within 3 months.

Note 13. Short Term Debtors

31 March 2021		31 March 2022
£		£
232,599	Trade Receivables	204,651
311,137	Prepayments	209,960
2,145,172	Owed from Pension Fund	1,536,402
<u>2,688,908</u>	Total	<u>1,951,013</u>

Note 14. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2021		31 March 2022
£		£
445	Bank Current Accounts	720
<u>445</u>	Total	<u>720</u>

Note 15. Short Term Creditors

31 March 2021		31 March 2022
£		£
(376,495)	Trade Payables	(410,382)
(58,751)	Payable to HMRC - Employment Taxes	(77,830)
(578,065)	Payable to HMRC - VAT	(557,242)
(28,711)	Capital Creditors	(303,424)
(94,111)	Other Payables	(63,692)
<u>(1,136,133)</u>	Total	<u>(1,412,570)</u>

Note 16. Unusable Reserves

31 March 2021		Note 16	31 March 2022
£			£
(110,612)	Capital Adjustment Account	[a]	(1,586,928)
13,875,275	Pensions Reserve	[b]	10,507,255
82,047	Accumulated Absences Adjustment Account	[c]	53,447
13,846,710	Total Unusable Reserves		8,973,774

a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition or subsequent costs such as depreciation, impairment losses and amortisation are charged to the Comprehensive Income & Expenditure Statement. The Account is credited with amounts set aside by the Authority as finance for the costs of acquisition or enhancement.

2020/21		2021/22
£		£
(112,510)	Balance at 1 April	(110,612)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
27,468	Amortisation of Intangible Assets	28,261
17,026	Depreciation of Vehicles, Plant, Furniture & Equipment	42,348
	<i>Capital financing applied in the year:</i>	
(42,596)	Capital Expenditure Charged Against the General Fund Balance	(1,546,925)
(110,612)	Balance at 31 March	(1,586,928)

b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21		2021/22
£		£
12,139,837	Balance at 1 April	13,875,275
1,352,000	Remeasurement Of The Net Defined Benefit Liability/(Asset)	(3,943,524)
1,247,000	Reversal Of Items Relating To Retirement Benefits Debited or Credited to the Surplus On the Provision Of Services in the CIES	1,309,000
(863,562)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable In The Year	(733,496)
<u>13,875,275</u>	Balance at 31 March	<u>10,507,255</u>

The Pensions Reserve includes the reserve calculated for the residual liabilities; the breakdown is shown below:

31 March 2021		31 March 2022
£	Pensions Reserve	£
11,235,746	Authority	8,081,727
2,639,529	Residual Liabilities	2,425,528
<u>13,875,275</u>	Total	<u>10,507,255</u>

c) Accumulated Absences Adjustment Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020/21		2021/22
£		£
38,348	Balance at 1 April	82,047
(38,348)	Settlement or cancellation of accrual made at the end of the preceding year	(82,047)
82,047	Amounts accrued at the end of the current year	53,447
43,699	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(28,600)
82,047	Balance at 31 March	53,447

Note 17. Cash Flow Statement - Operating Activities

The Surplus on Provision of Services has been adjusted for the following non-cash movements:

2020/21		2021/22
£		£
27,468	Amortisation	28,261
17,026	Depreciation	42,348
383,438	Movement in Pension Liability	575,504
24,000	Increase in Provisions	24,744
(186,671)	Increase / (Decrease) in Creditors	1,724
(359,204)	(Increase) / Decrease in Debtors	737,895
<u>(93,943)</u>	Total Adjustment for Non Cash Movements	<u>1,410,476</u>

Page 134

Note 18. Cash Flow Statement - Investing Activities

2020/21		2021/22
£		£
(77,575)	Purchase of Property Plant & Equipment	(1,272,212)
<u>(77,575)</u>	Total Investing Activities	<u>(1,272,212)</u>

The Authority does not have any financing cash flows. This is due to the nature of the Authority's work in that its sole purpose is to administer the South Yorkshire Pension Fund.

Note 19. Officers' Remuneration

The remuneration paid to the Authority's senior employees, is as follows:

		Further Details	Salary, fees and allowances £	Employer Pension Contributions £	Pension Contributions Provision* £	Total £
Director (Head of Paid Service)	2021/22		110,958	17,864		128,822
	2020/21		109,050	16,963		126,013
Head of Investment Strategy	2021/22		88,767	14,291	12,372	115,430
	2020/21		82,251	12,255	12,000	106,506
Head of Pensions Administration	2021/22		88,767	14,291	12,372	115,430
	2020/21		87,240	14,046	12,000	113,286
Head of Finance & Corporate Services (Deputy Treasurer)	2021/22		80,945	13,032		93,977
	2020/21		76,335	12,290		88,625
Treasurer	2021/22	[a]	4,966	809		5,775
	2020/21		4,880	796		5,676
Monitoring Officer (February 2022- March 2022)	2021/22	[b]	582	95		677
Monitoring Officer (April 2021- January 2022)	2021/22	[c]	4,138	675		4,813
	2020/21		4,067	667		4,734

*** Pensions Contribution Provision**

A provision has been made for the payment of additional employer pension contributions for the Head of Investment Strategy and the Head of Pensions Administration as shown in the table above.

This is in respect of a Staff Retention Incentives Scheme introduced in 2020/21 to support succession planning. Under the terms of the scheme, a payment of £12,372 pension contributions is due for each of these officers in respect of service during 2021/22, but will only become payable at the end of three years if they remain in post until that time.

Consequently, the total amount of £24,744 due for 2021/22 has been added to the long term provision for this on the Balance Sheet, the balance of which is £48,744 as at 31 March 2022 (£24,000 at 31 March 2021).

[a] The Treasurer role is provided by an officer of Barnsley MBC under a service level agreement. The Treasurer charged approximately 5% of salary in 2021/22 (2020/21: 5%), the annualised salary for 2021/22 was £99,321 (2020/21: £97,613).

[b] The Monitoring Officer role is provided by an officer of Barnsley MBC under a service level agreement. The current role holder commenced with effect from February 2022 following the retirement of the previous role holder.

The Monitoring Officer charged approximately 5% of salary in 2021/22. The annualised salary was £69,815 in 2021/22.

[c] The previous Monitoring Officer role holder retired in January 2022. They charged approximately 5% of salary in 2021/22 (5% in 2020/21). The annualised salary was £99,321 in 2021/22.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2020/21 Number of employees	2021/22 Number of employees
£55,000-£59,999	1	1

Exit Packages

The Authority is required to report on the number and value of exit packages awarded to staff leaving the organisation on grounds of either voluntary or compulsory redundancy. There were no such packages in 2021/22 (2020/21: two).

Exit Package Cost Band

	2020/21	2021/22
	Number of voluntary redundancies	Number of voluntary redundancies
£0 - £20,000	0	0
£40,001 - £60,000	1	0
£80,001 - £100,000	1	0

Note 20. Members' Allowances

The Authority paid the following amounts for elected members during the year. Member allowances are paid in accordance with the scheme of allowances as published on the Authority's website. Expenses paid are to reimburse members for travel and/or hotel costs incurred in travelling to meetings and/or training events on Authority business.

2020/21		2021/22
£		£
61,039	Member Allowances	60,069
454	Employer National Insurance on Member Allowances	319
0	Expenses	829
<u>61,493</u>	Total	<u>61,217</u>

Page 138

Note 21. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2020/21		2021/22
£		£
31,833	Fees payable to Deloitte LLP with regard to external audit services carried out for the year	31,833
17,500	Fees payable to Deloitte LLP with regard to additional costs for external audit services carried out for the previous year	14,136
<u>49,333</u>	Total	<u>45,969</u>

The scale audit fee set by Public Sector Audit Appointments Ltd (PSAA) is £31,833 for 2021/22. However in the last two years, it has become evident that the audit work requirements for the external auditor cannot be fully met within this fee level, and therefore Deloitte have previously discussed and agreed additional fee for the audit with the Authority in respect of the 2019/20 audit and have set out their intention to do so again in respect of the 2020/21 audit. The process for obtaining approval from the PSAA for additional fee means that there is a time lag before the additional fee is confirmed and charged to the Authority. Therefore the figure shown for this above is an estimate based on best available information.

Note 22. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

South Yorkshire Pension Fund

The Pension Fund is a related party to the Authority as all expenditure (except for that financed by the Levy in relation to Residual Liabilities) is charged to the Fund.

During the year, the Authority paid a total of £396,019 (2020/21: £499,920) to the Fund in respect of employer pension contributions and received a total of £5,982,548 (2020/21: £5,808,141) from the Fund as the amount recharged for Authority expenditure for the year.

At 31 March 2022, there is a debtor balance of £1,536,402 (31 March 2021: £2,145,172) in the Authority's balance sheet for the sum due from the Fund.

In addition to the above, the Authority paid a total of £337,477 (2020/21: £363,642) to the Fund as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body. The Authority's expenditure in this regard was financed by charging a levy for this amount to the four South Yorkshire districts (Barnsley MBC, Doncaster MBC, Rotherham MBC and Sheffield CC) in proportion to their populations.

Barnsley Metropolitan Borough Council

The statutory roles of Clerk, Treasurer and Monitoring Officer for the Authority are undertaken by officers of Barnsley MBC. Amounts paid to Barnsley MBC during the year included:

£143,904 (2020/21: £170,907) in respect of rent, service charges and other expenses including business rates, for the office accommodation leased from the Council;

£178,352 (2020/21: £183,067) in respect of fees for the Service Level Agreement through which the Council provides a range of support services to the Authority including Governance, HR, Audit and other corporate services.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. An examination of the Register of Members' Interests confirms that there were no related party transactions to disclose.

Officers

Certain officers might also be in a position to significantly influence the policies of the Authority. No material related party transactions have been identified following consultation with relevant officers.

Note 23. Leases

Operating Leases - Authority as Lessee

During 2021/22, the Authority exercised the lease break option available in the lease with Barnsley MBC for office accommodation at Level 8, Gateway Plaza, Barnsley S70 2RD and terminated the lease with effect from 30 November 2021; although, as a result of delays on the new office project, occupation continued and rent charges paid until 4 February 2022.

A new lease was entered into with Mapeley Gamma Acquisitions Ltd (c/o FI Real Estate Management) for office accommodation at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley S71 1HG. The lease commenced with effect from 28 May 2021 for a period of 30 years with a lease break clause at 15 years, and a rent review due at 28 May 2031.

The lease rentals included an incentive in the first five years of the lease period, with rent set at £40,356 per annum to 27 May 2026. The rent will increase to £90,800 per annum thereafter subject to a rent review at 28 May 2031.

Additionally, the first six months of the lease period - to 27 November 2021 - were free of rent whilst the property was being refurbished by the Authority. The rent commencement date was 28 November 2021.

The future minimum lease payments due under the non-cancellable lease in future years are:

31 March 2021	31 March 2022
£	£
58,667	40,235
0	203,989
0	831,380
58,667	1,075,604
Total	Total

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2020/21	2021/22
£	£
88,000	74,438
0	13,996
88,000	88,434
Total	Total

Note 24. Defined Benefit Pension Liability

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) for its employees, administered by the Authority itself, which is a defined benefit scheme. It is also a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The South Yorkshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. South Yorkshire Pensions Authority is the designated statutory body responsible for administering the South Yorkshire Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. Policy is determined in accordance with Pension Fund regulations.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made to the Authority is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

2020/21		2021/22
£	Comprehensive Income & Expenditure Statement	£
	<i>Cost of Services</i>	
	Service Cost Comprising:	
766,000	Current Service Cost	1,014,000
201,000	Past Service Cost Including Curtailments	0
	<i>Financing and Investment Income and Expenditure</i>	
280,000	Net Interest Expense	295,000
<u>1,247,000</u>	Total Post-Employment Benefits Charged to the Surplus on the Provision of Services	<u>1,309,000</u>
	<i>Other Post-Employment Benefits Charged To The Comprehensive Income And Expenditure Statement</i>	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
(4,389,000)	Return on Plan Assets (excluding the amount included in the net interest expense)	(2,146,000)
6,351,000	Actuarial (Gains) / Losses Arising on Changes in Financial Assumptions	(1,994,000)
(610,000)	Actuarial (Gains) / Losses Arising on Changes Based on Other Experience	196,476
<u>1,352,000</u>	Total Post-Employment Benefits Charged to Other Comprehensive Income And Expenditure	<u>(3,943,524)</u>
	Movement in Reserves Statement	
1,247,000	Reversal of Net Charges Made to the Surplus On Provision Of Services for Post-Employment Benefits in Accordance with the Code	1,309,000
(863,562)	Actual Amount Charged Against the General Fund Balance for Pensions in the Year: Employer's Contributions Payable to the Scheme	(733,496)
<u>383,438</u>	Total Post-Employment Benefits Adjustment Recognised in Movement in Reserves Statement	<u>575,504</u>

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

31 March 2021		31 March 2022
£		£
(39,469,666)	Present Value of Funded Liabilities	(38,976,257)
(2,859,529)	Present Value of Unfunded Liabilities	(2,655,529)
28,453,920	Fair Value of Plan Assets	31,124,531
(13,875,275)	Net Liability Arising from Defined Benefit Obligation	(10,507,255)
Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets		
23,441,000	Opening Fair Value of Plan Assets At 1 April	28,453,920
563,000	Interest Income	596,000
<i>Remeasurement Gain/(Loss):</i>		
4,389,000	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	2,146,000
(12,000)	Administration Expenses	
485,584	Contributions from Employer	381,611
377,978	Contributions from Employer in Respect of Unfunded Benefits	351,885
164,000	Contributions from Employees Into the Scheme	174,000
(576,664)	Benefits Paid	(627,000)
(377,978)	Unfunded Benefits Paid	(351,885)
28,453,920	Closing Fair Value of Plan Assets At 31 March	31,124,531

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

31 March 2021		31 March 2022
£		£
(35,580,837)	Opening Balance At 1 April	(42,329,194)
(754,000)	Current Service Cost	(1,014,000)
(843,000)	Interest Cost	(891,000)
(164,000)	Contributions from Scheme Participants	(174,000)
	<i>Remeasurement Gains And (Losses):</i>	
(6,351,000)	Actuarial Gains / (Losses) Arising on Changes in Financial Assumptions	1,994,000
610,000	Actuarial Gains / (Losses) Arising on Changes Based on Other Experience	(196,477)
(201,000)	Past Service Cost (Including Curtailments)	0
576,665	Benefits Paid	627,000
377,978	Unfunded Benefits Paid	351,885
(42,329,194)	Closing Balance At 31 March	(41,631,786)
	<i>Comprising:</i>	
(39,469,666)	Present Value Of Funded Liabilities	(38,976,257)
(2,859,529)	Present Value Of Unfunded Liabilities	(2,655,529)
(42,329,195)		(41,631,786)

Local Government Pension Scheme Assets

The fair value of the plan assets held at 31 March 2022 comprised the following classes of assets. Please note the values are shown as £000 amounts, rounded to the nearest £100.

Asset Category	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total as at 31 March 2022	Percentage of Total Assets
	£000	£000	£000	
Equity Securities				
Other	74.7	0.2	74.9	0%
Debt Securities				
Corporate Bonds (Non Investment Grade)	0.0	3.4	3.4	0%
UK Government	0.0	185.7	185.7	1%
Other	88.4	1,464.4	1,552.8	5%
Private Equity				
All	66.9	2,983.9	3,050.8	10%
Real Estate				
UK Property	51.6	2,571.7	2,623.3	8%
Overseas Property	0.0	41.9	41.9	0%
Investment Funds and Unit Trusts				
Equities	0.0	14,502.7	14,502.7	47%
Bonds	0.0	5,590.6	5,590.6	18%
Infrastructure	399.7	2,171.6	2,571.3	8%
Other	0.0	580.5	580.5	2%
Cash and Cash Equivalents				
All	347.1	0.0	347.1	1%
Total Assets	1,028.4	30,096.6	31,125.0	100%

The fair value of the plan assets held at 31 March 2021 comprised the following classes of assets:

Asset Category	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total as at 31 March 2021	Percentage of Total Assets
	£000	£000	£000	
Equity Securities				
Other	159.1	0.0	159.1	1%
Debt Securities				
Corporate Bonds (Non Investment Grade)	0.0	1,549.9	1,549.9	5%
UK Government	0.0	557.5	557.5	2%
Other	82.7	1,315.9	1,398.6	5%
Private Equity				
All	153.9	2,389.9	2,543.8	9%
Real Estate				
UK Property	59.3	2,393.4	2,452.7	9%
Overseas Property	0.0	39.2	39.2	0%
Investment Funds and Unit Trusts				
Equities	0.0	13,728.1	13,728.1	48%
Bonds	0.0	3,829.0	3,829.0	14%
Infrastructure	521.3	1,310.7	1,832.0	6%
Other	0.0	0.0	0.0	0%
Cash and Cash Equivalents				
All	364.0	0.0	364.0	1%
Total Assets	1,340.3	27,113.6	28,453.9	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc.

The defined benefit liability has been estimated by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary are as follows:

31 March 2021	Financial Assumptions	31 March 2022
% p.a		% p.a
2.80	Pension Increase Rate (CPI)	3.20
3.95	Salary Increase Rate	4.20
2.10	Discount Rate	2.70

31 March 2021	Mortality Assumptions	31 March 2022
Years		Years
	<i>Longevity at 65 for current pensioners</i>	
22.5	Men	22.6
25.3	Women	25.4
	<i>Longevity at 65 for future pensioners¹</i>	
24.0	Men	24.1
27.2	Women	27.3

¹ Figures assume members aged 45 as at the last formal valuation date.

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivities below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below is consistent with those used in the previous period.

Change in Assumptions at 31 March 2022	Impact on the defined benefit obligation in the scheme	
	Approximate % Increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% Decrease in Real Discount Rate	2%	799
1 Year Increase in Member Life Expectancy	4%	1,568
0.1% Increase in the Salary Increase Rate	1%	200
0.1% Increase in the Pension Increase Rate (CPI)	2%	590

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. These figures are based on IAS 19 assumptions, however using the actuarial assumptions during the latest valuation the funding level for the Authority has been calculated at just over 100%, the South Yorkshire Pension Fund has an agreed strategy with the actuary to maintain this level. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The scheme takes account of the national changes that were introduced to the scheme under the Public Services Pensions Act 2013. The Act provided for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. Members started earning benefits under the new scheme from April 2014.

The Authority expects to pay employer's contributions for the period to 31 March 2023 of approximately £381,000 in relation to the Authority itself and of £350,000 in relation to the unfunded residual liabilities of the former South Yorkshire County Council and Residuary Body.

The average duration of the defined benefit obligation for funded scheme members is estimated to be 20 years and for unfunded members is estimated to be 5 years.

Note 25. Contingent Liabilities

At 31 March 2022, the Authority had one material contingent liability as follows.

The Authority, along with the other 10 partner funds of Border to Coast, has entered into a guarantee to fund the liabilities of Border to Coast should they become unable to meet them. At 31 March 2022 the value was calculated at £248,727 based on a 1/11 share of the total net defined pension liability (31 March 2021: £285,636) purely on an accounting basis but the real value is uncertain and will, if it materialises, be calculated on a valuation basis which is different. The event is unlikely to ever occur, therefore no provision has been accounted for but instead this is disclosed as a contingent liability in line with the Code definition and as set out in Note 2 Accounting Policies.



South Yorkshire Pension Fund
Financial Statements
& Notes 2021/22

South Yorkshire Pension Fund - Fund Account

2020/21 £000		Notes	2021/22 £000
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(282,816)	Contributions	[7]	(192,000)
(20,726)	Transfers In from Other Pension Funds	[8]	(18,584)
(303,542)			(210,584)
314,330	Benefits	[9]	320,872
16,870	Payments To and On Account of Leavers	[10]	17,136
331,200			338,008
27,658	Net (Additions)/Withdrawals from Dealings With Members		127,424
64,658	Management Expenses	[11]	105,678
92,316	Net (Additions)/Withdrawals Including Fund Management Expenses		233,102
	Returns On Investments		
(68,114)	Investment Income	[12]	(66,794)
0	Taxes On Income	[12]	0
(1,715,874)	Profit And Losses on Disposal of Investments and Changes in the Value of Investments	[14b]	(977,797)
(1,783,988)	Net Return on Investments		(1,044,591)
(1,691,672)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(811,489)
(8,170,401)	Opening Net Assets of the Scheme		(9,862,073)
(9,862,073)	Closing Net Assets of the Scheme		(10,673,562)

South Yorkshire Pension Fund - Net Assets Statement

31 March 2021		Notes	31 March 2022
£000			£000
	Long Term Investments		
1,182	Equities		1,182
	Investment Assets		
55,941	Equities		25,621
602,488	Bonds		64,692
8,296,976	Pooled Investment Vehicles		9,648,130
762,177	Direct Property	[14a]	795,555
186	Derivative Contracts	[15]	0
125,890	Cash		118,756
7,443	Other Investment Assets		2,468
	Investment Liabilities		
(3,361)	Derivative Contracts	[15]	0
(4)	Other Investment Liabilities		0
9,848,918	Total Net investments	[14a]	10,656,404
26,472	Current Assets	[21a]	33,828
39	Long Term Debtors	[21b]	0
9,875,429			10,690,232
(13,356)	Current Liabilities	[22]	(16,670)
9,862,073	Net Assets of the Fund Available to Fund Benefits at the End of the Reporting Period		10,673,562

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes To The South Yorkshire Pension Fund For The Year Ended 31 March 2022

Note 1. Description Of Fund

The South Yorkshire Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by South Yorkshire Pensions Authority.

a) General

The LGPS is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following scheme legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by South Yorkshire Pensions Authority (the Authority) to provide pensions and other benefits for pensionable employees of South Yorkshire Pensions Authority, the four district councils in South Yorkshire and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Authority, which consists of 12 councillors appointed by the District Councils roughly in proportion to population. In addition, 3 representatives of the recognised Trades Unions act as observers to represent the interests of scheme members.

In accordance with the requirements of the Public Services Pensions Act 2013, the Authority has established a Local Pension Board. The Board holds regular meetings and provides oversight, challenge and scrutiny over how the administering authority exercises its responsibilities. It publishes its own annual report which is available on the Authority's website and within the Annual Report.

The Border to Coast Pensions Partnership (Border to Coast) was created in response to Government policy on the pooling of investments. South Yorkshire Pension Fund, along with 10 other partner funds, are equal shareholders in the company. Most of the Fund's equity investments have been managed by Border to Coast since July 2018 and transition of the Fund's assets from internal management to Border to Coast is a continuing process that is expected to take a number of years to complete fully. At 31 March 2022, approximately 70% (31 Mar 2021: 63%) of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Asset allocation remains the responsibility of the Authority.

Other investments are managed internally, with the assistance of advisors on real estate matters, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. The Authority has an appointed independent investment advisory panel and has a retained actuary, a new contract for which was let during the year. The actuary is now Hymans Robertson LLP from November 2021, and was previously Mercer Limited.

Further information is available in the Annual Report available from the Fund's website at www.sypensions.org.uk

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the South Yorkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

South Yorkshire Pension Fund	31 March 2021	31 March 2022
Number of Employers with Active Members	533	548
Number of Employees (Active Contributors)	51,050	51,429
Number of Pensioners	57,308	59,755
Number of Deferred Pensioners *	58,511	59,924
Total Number of Members in the Pension Scheme	166,869	171,108

* The total shown for deferred pensioners includes 9,775 unprocessed leavers at 31 March 2022 (9,073 at 31 March 2021). Bulk processing tools are being developed to ensure these will be processed for valuation purposes. Once processed, these leavers could be a combination of deferred pensioners, frozen refunds, and aggregations. Until processed, this outcome is not known.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employer contributions are set based on triennial actuarial funding valuations. The latest triennial valuation was undertaken as at 31 March 2019 and this determined the employer contribution rates payable from April 2020 to March 2023. These rates ranged from 12.5% to 29.9% of pensionable pay in 2021/22.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided under the scheme including early retirement, disability pensions and death benefits, as explained on the LGPS website at www.lgpsmember.org.

e) Investment Performance

A sharp recovery in global growth and continued monetary and fiscal support led to strong equity market gains up to the end of December, with all equity asset classes, except for emerging markets, showing positive returns. However, global inflationary pressures were felt across both goods and services, and central banks became increasingly hawkish towards the end of 2021. Bond markets thus gave lower returns as the expectation was for interest rates to rise although expectations were still for global economic growth to continue, albeit at a lower rate than we had seen in 2021.

From the beginning of January, the investor focus became the escalating inflation in many developed economies and the prospect of rising interest rates accounted for the sell-off in markets. This scenario was then exacerbated by the Russian invasion of Ukraine which triggered a massive round of sanctions by western allies which had effects on the global economy and its supply chains, with energy costs and food costs in particular spiralling upwards. Commodity prices rose and commodity currencies benefited from safe haven flows. Inflation rates rose globally ending almost thirty years of low and stable inflation. This unsettled capital markets and businesses with the prospect of rising interest rates and higher borrowing costs.

Within UK commercial property, transaction volumes increased over the course of the year driven by overseas investors and this led to a strong annual return.

Over the year, the Fund continued the long-term strategy to deliver a lower risk return by continuing to switch from listed equities to new investments within the alternative asset classes, in particular infrastructure.

This year our investments in private equity were the big driver of growth for the Fund, with additional contributions from our investments in infrastructure, private credit and property.

Over the year the Fund delivered a return of 9.6% against an expected return of 7.7% (21.1% in 2020/21 against an expected return of 18%) and it had a market value (net investment assets only) of £10,656 million at 31 March 2022 (£9,848 million at 31 March 2021).

Note 2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2021/22 and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code for the relevant financial year. There are no such accounting changes to be disclosed in this respect for 2021/22.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts, or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

Note 3. Summary of Significant Accounting Policies

The following accounting policies have been applied consistently during the financial year and the previous financial year.

Fund Account - Revenue Recognition

a) Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they related.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body or on receipt if received earlier than the due date. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers To / From Other Schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment Income

- i. Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as an investment asset.
- iii. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as an investment asset.
- iv. Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Rental income is recognised in the Fund Account as it accrues and any amounts received in respect of the future year are disclosed in the Net Assets Statement as current liabilities.

v. Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account - Expense Items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance, Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative Expenses

All costs incurred by the Authority in respect of pensions administration are accounted for on an accruals basis and charged to the Fund.

Oversight and Governance

All costs incurred by the Authority in respect of Oversight and Governance are accounted for on an accruals basis and are charged to the Fund.

Investment Management Expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

Fees of the external investment managers, property advisor and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

All costs incurred by South Yorkshire Pensions Authority internally in respect of investment management expenses are accounted for on an accruals basis and are also charged to the Fund.

Net Assets Statement

g) Financial Assets

The shares held as an unquoted equity investment in Border to Coast Pensions Partnership Ltd, are valued at cost - i.e. transaction price - as an appropriate estimate of fair value. It has been determined that cost remains an appropriate proxy for fair value at 31 March 2022. There is no market in the shares held and cost is a reasonable estimate of fair value. See Note 4 for further details.

All other financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of the fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and Leasehold Properties

Properties are valued quarterly by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards, see Note 16 for more details.

i) Foreign Currency Transactions

Dividends, interest, and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

k) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

Financial assets classed as amortised cost are carried in the Net Assets Statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

m) Financial Liabilities

A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from the changes in the fair value of the liability between contract date, the year-end and the eventual settlement date are recognised in the Fund Account as part of the change in market value of the investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the Net Assets Statement is the outstanding principal repayable plus any accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

n) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standards (IAS) 19 and relevant accounting standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

o) Additional Voluntary Contributions

The South Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 23.

p) Contingent Liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

Note 4. Critical Judgements In Applying Accounting Policies**Pension Fund Liability**

The net pension fund liability is re-calculated every three years by the appointed actuary, Hymans Robertson LLP from November 2021 (Mercer Limited to November 2021), with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Notes 19 and 20. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Investment in Border to Coast

This investment has been valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2022, taking consideration of audited accounts for the company at 31 December 2021, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2022.

Directly Held Property

The Fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between three months and ten years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Assets Statement at fair value. Rental income is recognised in the Fund Account on a straight-line basis over the life of the lease.

Private Equity

It is important to recognise the highly subjective nature of determining the fair value of unquoted private equity investments. They are inherently based on forward looking estimates and it is necessary to apply judgement to the valuation. Unquoted private equities and infrastructure investments are valued by the investment managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Note 5. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made. The items in the net assets statement for which there is a significant risk of material adjustment for the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	<p>The actuarial present value of promised retirement benefits at 31 March 2022 is £13,269 million. The sensitivities regarding the principal assumptions used to measure the obligations are as follows:</p> <ul style="list-style-type: none"> • a 0.1% p.a. reduction in the discount rate would increase the promised retirement benefits by approximately 2% or £265 million • a 0.1% p.a. increase in salary growth would increase the promised retirement benefits by approximately £41 million • a 0.1% p.a. increase in the pension increase rate (CPI) would increase the promised retirement benefits by approximately 2% or £222 million • a 1 year increase in member life expectancy would increase the promised retirement benefits by approximately 4% or £531million
Private equity investments (Note 16)	<p>Private equity instruments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers. These are as at 31 December 2021, then rolled forward for known cash flows in order to derive the valuation at 31 March 2022. This is the method used on the basis that any changes in market value from 31 December to 31 March are unlikely to be material. The reasonableness of this assumption is reviewed each year.</p>	Private equity investments are valued at £4,128 million at 31 March 2022 (£3,133 million at 31 March 2021) in the financial statements. Based on the assessed level of volatility using the same methodology as outlined in the sensitivity analysis shown in Note 18, if prices fell by 11.8% this would reduce the value of these assets by £487 million.

Item	Uncertainties	Effect if actual results differ from assumptions
Freehold, leasehold property and pooled property funds (Note 16)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could all affect the fair value of property-based investments. The total value of property investments in the Net Assets Statement is £912 million including both directly held property and property held in pooled investment vehicles. At 31 March 2022 there is a range of potential outcomes. Note 18 shows the effect, based on an assessed volatility range, of a fall of 5% in these property values. For illustrative purposes, a fall of 10% would result in a reduction to the values in the Net Assets Statement of £91.2 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

Page 162 **Note 6. Events After The Reporting Period**

The Statement of Accounts was authorised for issue on 22 June 2022. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provide information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7. Contributions Receivable

By Category

2020/21 £000		2021/22 £000
<u>63,014</u>	Employees' Contributions	<u>66,198</u>
	Employers' Contributions*	
193,420	Normal Contributions	111,550
20,720	Deficit Recovery Contributions	8,246
5,662	Augmentation Contributions	6,006
<u>219,802</u>	Total Employers' Contributions	<u>125,802</u>
<u><u>282,816</u></u>	Total Contributions Receivable	<u><u>192,000</u></u>

Page 163

By Employer Type

2020/21 £000		2021/22 £000
624	Administering Authority	556
	<i>Scheduled Bodies:</i>	
24,803	Barnsley Metropolitan Borough Council	23,002
51,281	Doncaster Metropolitan Borough Council	10,427
55,315	Rotherham Metropolitan Borough Council	12,276
25,733	Sheffield City Council	31,104
111,278	Other Scheduled Bodies	101,164
13,782	Admitted Bodies	13,471
<u>282,816</u>		<u>192,000</u>

*** Employer Contributions: Prepayments**

In April 2020, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and one Other Scheduled Body (South Yorkshire Fire & Rescue Authority) made prepayments in relation to their employer contributions due for the period April 2020 to March 2023. By making the payments early, the cash amounts payable over the period are reduced. The amount of the prepayment and the discount applied were calculated by the Fund's actuary based on an estimate of the pensionable pay for each employer over the 3 year period. The prepayments amounted to £87.366 million in respect of normal contributions. These amounts were accounted for in the period received and are included in the figures shown above for 2020/21.

Additionally, Barnsley Metropolitan Borough Council and 46 Other Scheduled Bodies (primarily Multi Academy Trusts and large employers including South Yorkshire Fire & Rescue Authority and The Chief Constable) opted to make prepayments in relation to their deficit recovery contributions due for the period April 2020 to March 2023. The cash amount payable for these contributions over the period is similarly reduced as a result of the early payment, and this discount is calculated by the Fund's actuary. The prepayments of these deficit recovery contributions amounted to £13.241 million accounted for in the period received and included in the relevant figures shown above for 2020/21.

Sheffield City Council made a prepayment in the final quarter of 2019/20 in relation to their employer contributions due for the period April 2020 to March 2023 on the same principles as outlined above. The prepayment amounted to £87.551 million in respect of normal contributions and £3.169 million in respect of deficit recovery contributions. These amounts were accounted for in the period received (2019/20) and are therefore not included in the figures shown above.

Page 164

Note 8. Transfers In From Other Pension Funds

2020/21		2021/22
£000		£000
0	Group Transfers	0
20,726	Individual Transfers	18,584
20,726		18,584

Note 9. Benefits Payable

By Category

2020/21		2021/22
£000		£000
250,114	Pensions	257,953
56,345	Commutation and Lump Sum Retirement Benefits	57,102
7,871	Lump Sum Death Benefits	5,817
<u>314,330</u>		<u>320,872</u>

By Employer Type

2020/21		2021/22
£000		£000
673	Administering Authority	771
	<i>Scheduled Bodies:</i>	
41,194	Barnsley Metropolitan Borough Council	42,772
46,269	Doncaster Metropolitan Borough Council	45,239
44,369	Rotherham Metropolitan Borough Council	46,540
93,648	Sheffield City Council	95,093
59,102	Other Scheduled Bodies	61,938
29,075	Admitted Bodies	28,519
<u>314,330</u>		<u>320,872</u>

Note 10. Payments To And On Account of Leavers

2020/21		2021/22
£000		£000
365	Refunds to Members Leaving Service	535
0	Group Transfers	0
16,507	Individual Transfers	16,605
(2)	Payments for Members Joining State Scheme	(4)
<u>16,870</u>		<u>17,136</u>

Note 11. Management Expenses

2020/21		2021/22
£000		£000
2,962	Administrative Costs	3,382
59,600	Investment Management Expenses [Note 11a]	100,279
2,096	Oversight and Governance Costs	2,017
<u>64,658</u>		<u>105,678</u>

Note 11a. Investment Management Expenses

2020/21				2021/22				
Management Fees	Performance Related Fees	Transaction Costs	Total		Total	Management Fees	Performance Related Fees	Transaction Costs
£000	£000	£000	£000		£000	£000	£000	£000
22,634	21,915	293	44,842	South Yorkshire Pensions Authority	75,877	22,867	52,874	136
11,175	1,272	1,002	13,449	Border to Coast Pensions Partnership	22,977	21,559	0	1,418
1,157	0	0	1,157	Abrdn	1,325	1,325	0	0
33	0	0	33	Bidwells	40	40	0	0
81	0	0	81	Schroder	0	0	0	0
35,080	23,187	1,295	59,562		100,219	45,791	52,874	1,554
			38	Custody fees	60			
			59,600	Total	100,279			

Page 167

In accordance with CIPFA guidance management fees deducted at source and transaction costs are shown gross.

Wherever possible these figures are based on actual costs disclosed by the manager; where this is not available, best estimates have been made using other available information.

The presentation of this note has been amended to comply with CIPFA guidance and present an analysis of investment management expenses by investment manager as a more meaningful categorisation to show the nature of the costs incurred and how these arise for each different investment manager type.

The overall increase in expenses for 2021/22 from the previous year has largely been driven by the increase in performance-related fees; reflecting the increase in value held and the strong performance of Pooled Investment Funds in particular.

Note 12. Investment Income

2020/21		2021/22
£000		£000
971	Income from Equities	572
30,255	Bonds	10,394
9,381	Income from Pooled Investment Vehicles	28,267
26,640	Net Property Income [Note 12a]	27,278
353	Interest on Cash Deposits	168
129	Stock Lending	80
385	Other	35
68,114	Total Before Taxes	66,794
0	Irrecoverable Withholding Tax on Equities	0
68,114	Net Investment Income	66,794

The Fund's equity holdings, together with its investment grade and index linked bond holdings, are now managed in pooled funds provided by Border to Coast and there is no direct income from those funds; the value of that income is instead reflected within the valuation of the Fund holdings. The income is accumulated and reinvested; therefore, the value of the income is reflected in the price of the units held and would only be realisable by the Fund by selling the units. The value of this re-invested income is reported separately and is shown below for information.

Re-Invested Income In Border to Coast Pooled Investment Vehicles

2020/21 £000		2021/22 £000
30,795	Border to Coast UK	37,894
53,370	Border to Coast Developed Overseas	62,472
16,775	Border to Coast Emerging Markets	17,977
12,347	Border to Coast Investment Grade Credit	11,661
527	Border to Coast Sterling Index Linked Bonds	16,945
0	Border to Coast MAC Fund	8,990
0	Border to Coast Listed Alternatives Fund	1,141
<u>113,814</u>		<u>157,080</u>

Page 169

Note 12a. Property Income

2020/21 £000		2021/22 £000
28,752	Rental income	28,714
0	Other dividends and interest	186
(2,112)	Direct operating expenses	(1,622)
<u>26,640</u>	Net income	<u>27,278</u>

No contingent rents have been recognised as income during the period.

Note 13a. Other Fund Account Disclosures - External Audit Costs

2020/21		2021/22
£000		£000
49	Fees Payable in Respect of External Audit	46
<u>49</u>		<u>46</u>
<u><u>49</u></u>		<u><u>46</u></u>

The external audit costs total above is included within the Oversight and Governance costs shown in Note 11.

Note 13b. Other Fund Account Disclosures - Irrecoverable VAT

2020/21		2021/22
£000		£000
101	Irrecoverable VAT Included in Administration Cost	298
211	Irrecoverable VAT Included in Investment Management Expense	144
50	Irrecoverable VAT Included in Oversight & Governance Cost	95
<u>362</u>		<u>537</u>
<u><u>362</u></u>		<u><u>537</u></u>

Unlike other local authorities, the Authority does not currently have Section 33 status under the VAT Act 1994 that would enable it to reclaim VAT incurred. This is due to its unique nature as a local authority with the sole purpose of administering the Pension Fund. Instead, a special exemption method agreed with HMRC is used for reclaiming a proportion of the Authority's VAT expense only. The remaining proportion that is not recoverable is charged to the management expenses of the Fund as outlined above. This irrecoverable proportion is approximately 65% of the total VAT expense incurred. The amounts shown here are included in the respective totals shown in Note 11.

Note 14a. Investments

2020/21 £000		2021/22 £000	2021/22 £000
	Long Term Investments		
1,182	Equities	1,182	
<u>1,182</u>			<u>1,182</u>
	Investment Assets		
55,941	Equities	25,621	
602,488	Bonds	64,692	
<u>658,429</u>			<u>90,313</u>
	Pooled Investments		
4,748,184	Equities	5,160,249	
815,245	Private Equity	1,019,328	
1,865,408	Credit	2,386,759	
431,897	Infrastructure	721,538	
99,594	Indirect Property	116,269	
0	Hedge Fund of Funds	14	
336,648	Other Managed Funds	243,973	
<u>8,296,976</u>			<u>9,648,130</u>

2020/21 £000		2021/22 £000	2021/22 £000
	Other Investments		
748,214	Direct Property	779,745	
13,963	Property Other	15,810	
	<i>Derivative Contracts:</i>		
186	Forward Currency Contracts	0	
762,363			795,555
125,890	Cash Deposits	118,756	
7,443	Investment Income Due	2,468	
0	Amounts Receivable - Sales		
133,333			121,224
9,852,283	Total Investment Assets		10,656,404
	Investment Liabilities		
	<i>Derivative Contracts</i>		
(3,361)	Forward Currency Contracts	0	
(4)	Amounts Payable - Purchases	0	
(3,365)	Total Investment Liabilities		0
9,848,918	Net Investment Assets		10,656,404

Note 14b. Reconciliation Of Movements In Investments And Derivatives

Period 2021/22	Market value 1 April 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year	Market value 31 March 2022
	£000	£000	£000	£000	£000
Equities	57,123	0	(32,567)	2,247	26,803
Bonds	602,488	660,910	(734,960)	(463,746)	64,692
Pooled Investments	8,296,976	815,214	(804,183)	1,340,123	9,648,130
Property	762,177	29,792	(83,893)	87,479	795,555
	9,718,764	1,505,916	(1,655,603)	966,103	10,535,180
<i>Derivative Contracts:</i>					
Forward Currency Contracts	(3,175)	67	(3,089)	6,197	0
	9,715,589	1,505,983	(1,658,692)	972,300	10,535,180
<i>Other Investment Balances:</i>					
Cash Deposits	125,890			5,497	118,756
Other Investment Assets	7,443				2,468
Other Investment Liabilities	(4)				0
Net Investment Assets	9,848,918			977,797	10,656,404

Period 2020/21	Market value 1 April 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year	Market value 31 March 2021
	£000	£000	£000	£000	£000
Equities	75,482	348	(44,386)	25,679	57,123
Bonds	561,727	2,022,802	(2,041,374)	59,333	602,488
Pooled Investments	6,656,270	540,593	(497,026)	1,597,139	8,296,976
Property	697,748	58,565	0	5,864	762,177
					0
	7,991,227	2,622,308	(2,582,786)	1,688,015	9,718,764
<i>Derivative Contracts:</i>					
Forward Currency Contracts	(11,995)	7,372	(27,946)	29,394	(3,175)
	7,979,232	2,629,680	(2,610,732)	1,717,409	9,715,589
<i>Other Investment Balances:</i>					
Cash Deposits	170,769			(1,535)	125,890
Other Investment Assets	8,950				7,443
Other Investment Liabilities	0				(4)
Net Investment Assets	8,158,951			1,715,874	9,848,918

Page 174
Derivative Contracts:

Other Investment Balances:

Note 14c. Investments Analysed By Fund Manager

Market value 31 March 2021			Market value 31 March 2022	
%	£000		£000	%
Investments managed by Border to Coast Pensions Partnership:				
8.5%	837,108	Border to Coast Sterling Index Linked Bonds	870,683	8.2%
10.4%	1,025,943	Border to Coast UK	1,140,799	10.7%
29.8%	2,935,183	Border to Coast Developed Overseas	3,099,642	29.1%
8.0%	787,058	Border to Coast Emerging Markets	721,195	6.8%
0.0%	0	Border to Coast MAC (Multi Asset Credit) Fund	587,328	5.5%
5.0%	487,249	Border to Coast Investment Grade Credit	454,652	4.3%
0.0%	0	Border to Coast Listed Alternatives Fund	198,613	1.9%
0.5%	50,649	Border to Coast Private Equity Series	155,695	1.4%
0.1%	6,753	Border to Coast Private Credit Series	45,989	0.4%
0.4%	43,376	Border to Coast Infrastructure Series	184,374	1.7%
62.7%	6,173,319		7,458,970	70.0%
Investments managed outside of Border to Coast Pensions Partnership:				
29.7%	2,927,385	South Yorkshire Pensions Authority	2,417,689	22.7%
5.9%	580,180	Abrdn - Direct Property - Commercial Portfolio	606,190	5.7%
1.7%	168,034	Bidwells - Direct Property - Agricultural Portfolio	173,555	1.6%
37.3%	3,675,599		3,197,434	30.0%
100.0%	9,848,918	Total Net Investment Assets	10,656,404	100.0%

The following investments each represent over 5% of the net assets of the Fund.

%	£000	Security	£000	%
8.5%	837,108	Border to Coast Sterling	870,683	8.2%
10.4%	1,025,943	Border to Coast UK	1,140,799	10.7%
29.8%	2,935,183	Border to Coast Developed Overseas	3,099,642	29.1%
8.0%	787,058	Border to Coast Emerging Markets	721,195	6.8%
5.9%	580,180	Abrdn - Direct Property - Commercial Portfolio	606,190	5.7%
0.0%	0	Border to Coast MAC Fund	587,328	5.5%
	6,165,472		7,025,837	

Note 14d. Stock Lending

The Fund's investment strategy sets the parameters for its stock lending programme. The stock lending activity and associated income has been reducing over the last two years as assets have transitioned to Border to Coast. During the year, a further transition of listed alternative assets took place. At the year end, all of the assets that remain with the custodian bank for the Fund are not attractive for stock lending purposes and therefore there are no assets on loan or collateral held as at 31 March 2022.

The assets on loan at the previous year end of 31 March 2021 were recognised in the Fund's financial statements. No liabilities were associated with the loaned assets.

Counterparty risk was managed through holding collateral at the Fund's custodian bank as per the details shown below at 31 March 2021.

31 March 2021		31 March 2022
£000		£000
	Assets on Loan	
3,935	UK Corporate Bonds	0
26,461	Overseas Corporate Bonds	0
40,602	Overseas Government Bonds	0
70,998	Total Value of Stock on Loan	0
	Collateral Held	
11,199	UK Gilts	0
64,505	Overseas Bonds	0
75,704		0

Income generated from stock lending in the year was £0.080 million (2020/21: £0.129 million) as shown in note 12. This income has reduced over the last two years in line with the reduction in stock lending activity as explained above.

Note 14e. Property Holdings

The Fund's investment property portfolio comprises investments in pooled property funds and a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows.

2020/21 £000		2021/22 £000
684,047	Opening balance	748,214
	<i>Additions:</i>	
54,780	Purchases	23,707
449	New Construction	718
3,336	Subsequent Expenditure	3,510
0	Disposals	(83,893)
5,602	Net Increase / (Reduction) in Market Value	87,489
748,214	Closing balance	779,745

The Fund holds a number of buildings in prime locations. There are no legal restrictions on the ability to realise these properties or on the remittance of income or disposal proceeds, although the Fund recognises that it could take six months to achieve disposal on favourable terms.

As at 31 March 2022, there was one vacant property (31 March 2021: one) and six (31 March 2021: seven) vacant units across the property portfolio. Repairs and maintenance of the properties are either directly with the occupant of the property or via a service charge. Each lease sets out the condition in which a property should be left at the end of the tenancy and states that any cost to restore it to this condition is the responsibility of the tenant.

Note 15. Analysis Of Derivatives

The Fund ceased forward currency transactions, through the custodian bank, following settlement in June 2021 of the contracts held at 31 March 2021. The underlying assets were transitioned to Border to Coast Pensions Partnership, this meant there was no longer a need for the Fund to hedge the currencies. Any future hedging for the Fund will be at the discretion of Border to Coast Pensions Partnership, or the external fund manager responsible.

The Fund previously used currency hedging to manage risk, its foreign currency exposure and volatility in the bond and property fund portfolio. The exposure at 31 March 2021 shown below is in US Dollar and Euro denominated assets and was transacted by forward currency contracts with the custodian bank, whereby the parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

	Asset Value	Liability Value
	£000	£000
Open forward currency contracts at 31 March 2022	0	0
Net forward currency contracts at 31 March 2022		0
		0
Open forward currency contracts at 31 March 2021	186	(3,361)
Net forward currency contracts at 31 March 2021		(3,175)

Note 16. Fair Value - Basis Of Valuation

The shares held as unquoted equities in our pool, Border to Coast Pensions Partnership Ltd, are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2022, taking consideration of audited accounts for the company at 31 December 2021, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2022.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments and property funds	Level 1	Closing bid value on published exchanges	Not required	Not required
Bonds	Level 2	Average of broker prices (Valued on a "clean basis" i.e. not including accrued interest)	Evaluated price feeds/Composite prices	Not required
Pooled investments - listed debt funds and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis or a single price advised by the fund manager	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments - limited partnerships, hedge fund of funds, other funds and property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by post balance sheet events, gating or closing of pooled property funds, changes to expected cash flows, or by any differences between audited and unaudited accounts.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Jones Lang LaSalle for the commercial portfolio and Fisher German for the agricultural portfolio in accordance with the <i>RICS Valuation – Professional Standards</i> January 2014	<ul style="list-style-type: none"> • Existing lease terms and rentals • Independent market research • Vacancy levels • Estimated rental growth • Discount rate 	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

Sensitivity Of Assets Valued At Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Equities (Long Term)	0%	1,182	1,182	1,182
Equities	15%	52	60	44
Pooled Investment Vehicles	12%	2,227,306	2,494,583	1,960,029
Pooled Property Funds	5%	81,120	85,176	77,064
Property	4%	779,745	810,935	748,555
Property Other	4%	15,810	16,442	15,178
		3,105,215	3,408,378	2,802,052

Note 16a. Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data. This includes composite prices for fixed income instruments and fund net asset value prices.

Level 3

Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies.

The table that follows provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	235,553	7,196,880	2,324,288	9,756,721
Non-financial assets at fair value through profit and loss (Note 14e)	0	0	779,745	779,745
Net investment assets	235,553	7,196,880	3,104,033	10,536,466

The following assets were carried at cost:

Values at 31 March 2022	Total £000
Investments in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	1,182

Reconciliation to Net Assets Statement

Total Analysed Above	10,537,648
Plus Cash	118,756
Total Net Investments per Net Assets Statement	10,656,404

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	341,959	6,862,002	1,769,671	8,973,632
Non-financial assets at fair value through profit and loss (Note 14e)	0	0	748,214	748,214
Net investment assets	341,959	6,862,002	2,517,885	9,721,846

The following assets were carried at cost:

Values at 31 March 2021	Total £000
Investments in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	1,182

Reconciliation to Net Assets Statement

Total Analysed Above	9,723,028
Plus Cash	125,890
Total Net Investments per Net Assets Statement	9,848,918

Note 17b. Net Gains And Losses On Financial Instruments

2020/21 £000		2021/22 £000
	Financial Assets	
1,682,151	Gain / (Loss) on Assets at Fair Value Through Profit and Loss	878,624
(1,535)	Gain / (Loss) on Assets at Amortised Cost	5,497
	Financial liabilities	
29,394	Gain / (Loss) on Liabilities at Fair Value Through Profit and Loss	6,197
<u>1,710,010</u>	Net Gain / (Loss) on Financial Instruments	<u>890,318</u>

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

Note 18. Nature And Extent Of Risks Arising From Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members).

Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The management of risk is described within the Fund's Investment Strategy Statement (ISS) which is included in the published annual report and accounts and is also available in the 'Investments' area of the Fund's website (<https://www.sypensions.org.uk>). It centres upon the adoption of an investment strategy, as represented by the Fund's customised benchmark, which is appropriate to meet the objectives of the Funding Strategy Statement. It focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

The cash balances of the Fund are managed by the Administering Authority. The Authority's treasury management activities are governed by the Local Government Act 2003 and the Fund has broadly adopted CIPFA's Treasury Management Code of Practice. The annual Treasury Management Strategy was approved by the Authority in March 2021.

a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, any identified risk is monitored and reviewed.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter (OTC) equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's ISS sets out the details of how the risk of negative returns due to price fluctuations is managed. Different asset classes have different risk and return characteristics and will therefore react differently to external events and will not necessarily do so in a correlated or pre-determined manner. No single asset class or market acts in isolation from other assets or markets. It is, therefore, extremely difficult to meaningfully estimate the consequences of a particular event in a particular asset on other asset classes. It is important to recognise that returns, volatility and risks vary over time.

In order to minimise the risks associated with market movements the Fund is well diversified across asset classes and within individual portfolios and constantly monitored and reviewed.

Price Risk - Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund's' asset allocations. Based on this, the Fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Values as at 31 March 2022 £000	Potential Market Movements (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
Long Term Equities	1,182	0.00%	1,182	1,182
UK Equities	9,776	15.05%	11,247	8,305
Overseas Equities	15,845	12.96%	17,899	13,791
UK Bonds	63,538	15.34%	73,285	53,791
Overseas Bonds	1,153	7.12%	1,235	1,071
Pooled Investment Vehicles	9,531,861	11.77%	10,653,761	8,409,961
Indirect Property	116,269	4.74%	121,780	110,758
Total	9,739,624		10,880,389	8,598,859

Page 189

Asset Type	Values as at 31 March 2021 £000	Potential Market Movements (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
Long Term Equities	1,182	0.00%	1,182	1,182
UK Equities	1,025,943	15.98%	1,189,889	861,997
Overseas Equities	3,778,182	13.56%	4,290,503	3,265,861
UK Bonds	261,567	11.82%	292,491	230,643
Overseas Bonds	340,921	6.92%	364,513	317,329
Pooled Investment Vehicles	3,449,198	3.99%	3,586,868	3,311,528
Indirect Property	99,594	4.23%	103,807	95,381
Total	8,956,587		9,829,253	8,083,921

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Different classes of asset have different risk and return characteristics and sensitivities to changes in financial factors, in particular to inflation and interest rates. The Fund's investment strategy takes into account these differences and the correlation between them. The Fund regularly monitors its exposure to interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. The sensitivity analysis shown below is based on the Fund's methodology for this risk and shows the potential impact of a 0.64% change in interest rates. This percentage is equal to 1 standard deviation of the 10 year government bond yield (annualised).

The analysis assumes that all other variables, in particular exchange rates, remain constant.

Page 190

Exposure To Interest Rate Risk	Values as at 31 March 2022 £000	Potential Interest Rate Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
Cash - Sterling	103,978	0.64%	104,643	103,313

Exposure To Interest Rate Risk	Values as at 31 March 2021 £000	Potential Interest Rate Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
Cash - Sterling	116,520	0.69%	117,324	115,716

Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The Fund's customised benchmark regulates such exposure: part of that approach involves the Authority passively hedging its overseas property portfolio's currency risk.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 6.54%. A strengthening/weakening of the pound by 6.54% against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Asset Value as at 31 March 2022	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	15,845	1,036	16,881	14,809
Overseas Bonds	1,153	75	1,228	1,078
Overseas Pooled Funds	6,650,544	434,946	7,085,490	6,215,598
Overseas indirect property	14,342	938	15,280	13,404
Cash - Currency	14,778	966	15,744	13,812
Total Change In Assets Available To Pay Benefits	6,696,662	437,961	7,134,623	6,258,701

Assets exposed to currency risk	Asset Value as at 31 March 2021	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	3,778,182	315,856	4,094,038	3,462,326
Overseas Bonds	340,921	28,501	369,422	312,420
Overseas Pooled Funds	1,709,590	142,922	1,852,512	1,566,668
Overseas indirect property	13,556	1,133	14,689	12,423
Forward currency contracts	(3,175)	(265)	(3,440)	(2,910)
Cash - Currency	9,370	783	10,153	8,587
Total Change In Assets Available To Pay Benefits	5,848,444	488,930	6,337,374	5,359,514

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

The Fund's benchmark allowance for cash at 31 March 2022 was a maximum of 10% of the Fund (10% at 31 March 2021). The actual cash held at 31 March 2022 represented 0.98% of the Fund value (1.2% at 31 March 2021).

The Treasury Management Strategy for managing the cash balances held includes limits as to the maximum sum placed on deposit with individual financial institutions and applies a minimum short term credit rating requirement of F1 or better.

Summary of Cash Balances and Credit Ratings

Counterparty Type	Rating	Balances at 31 March	Balances at 31 March
		2021	2022
		£000	£000
Money Market Funds	AAA	5,000	30,000
Banks	Minimum of F1	42,020	68,978
Other Local Authorities	-	69,500	5,000
Total		116,520	103,978

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £103.9 million (31 March 2021 £116.5 million).

The Fund maintains at least £40 million of its cash balances as readily available through the use of money market funds, call accounts and short-term deposits. In addition, the Fund holds Government bonds amounting to £63.5 million (£363.1 million at 31 March 2021) which could be realised within a week in normal market conditions, if necessary, to meet expected or unexpected demands for cash.

Note 19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation will be reported as at 31 March 2022.

The key elements of the funding policy are:

1. to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2. to ensure that employer contribution rates are as stable as possible
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
4. to reflect the different characteristics of employing bodies in determining contributions rates where it is possible to do so
5. to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve solvency over a period as set out in the Funding Strategy Statement (FSS) and to provide stability in employer contribution rates by spreading any increases over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

Based on the assumptions adopted, the Fund was assessed as 99% funded (86% at the 2016 valuation). This corresponded to a deficit of £63 million (2016 valuation: £1,025 million).

Primary Contribution Rate

The valuation also showed that a Primary contribution rate of 16.1% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Valuation Date	Employers' Primary Contribution Rate
31 March 2016	15.00%
31 March 2019	16.10%

Secondary Contribution Rate

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 15 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £19.5 million per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Valuation Assumptions

The valuation was carried out using the projected unit actuarial method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The main actuarial assumptions used for assessing the Solvency Funding Target were as follows.

Financial Assumptions	31 March 2016	31 March 2019
Rate of return on investments (discount rate)	4.2% per annum	3.9% per annum
Price inflation (CPI)	2.4% per annum	2.4% per annum
Rate of salary increases (short term) *	1.25% per annum for 4 years	3% per annum for 4 years
Rate of salary increases (long term) *	3.45% per annum	3.65% per annum
Rate of increases in pensions in payment	2.2% per annum	2.4% per annum

* Allowance was also made for short-term public sector pay restraint over a 4 year period.

Demographic Assumptions

	Years
Life expectancy for a male aged 65 now	22.4
Life expectancy at 65 for a male aged 45 now	23.8
Life expectancy for a female aged 65 now	25.1
Life expectancy at 65 for a female aged 45 now	27.0

Commutation Assumption

Members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up.

Following an analysis of the take-up rates, it has been assumed that, on average, retiring members will take 90% of the maximum tax-free cash available at retirement. This is slightly more than the assumption used at the 2016 actuarial valuation, which was broadly equivalent to members taking 80% of the maximum tax-free cash available.

The McCloud Judgment

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level, the actuary estimates that the cost of the judgment could be an increase in past service liabilities of broadly £74 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contributions over 2020/23 in relation to the McCloud judgement, these emerge in the secondary contribution rate figures quoted above.

Overall, based on the decisions taken by employers, it is expected that an additional £38.4 million will be paid into the Fund over 2020 to 2023 as a provision in relation to the potential costs emerging from the McCloud judgment. This represents 97% of the total £39.7 million calculated across all employers. It also represents approximately 7% of the total contributions (primary and secondary rate) payable over 2020 to 2023.

Experience Over the Period Since March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year’s annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020; this is available in the 'Publications' area on the Fund's website at: www.sypensions.org.uk

Note 20. Actuarial Present Value Of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year.

This valuation is not carried out on the same basis as that used for setting fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes set out in Note 19. The actuary has also valued ill health and death benefits in line with IAS 19.

Financial Assumptions	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.7% per annum
Price inflation (CPI) / CARE Benefit Revaluation	2.7% per annum	3.2% per annum
Rate of salary increases *	3.95% per annum	4.45% per annum

* This is the long term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

Demographic Assumptions

The demographic assumptions are the same as those used last year and as per those used for funding purposes (shown in Note 19).

Results	31 March 2021	31 March 2022
Present value of promised retirement benefits	£13,421 million	£13,269 million

The actuary estimates that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £543 million. There is no impact from any change in the demographic assumptions because they are identical to the previous period.

Note 21a. Current Assets

31 March 2021 £000		31 March 2022 £000
	Short Term Debtors	
5,344	Contributions Due - Employees	6,108
12,769	Contributions Due - Employers	14,844
<u>18,113</u>		<u>20,952</u>
633	Early Retirement Strain Contributions Receivable	2,379
7,726	Sundry Debtors	10,497
<u>26,472</u>	Total	<u>33,828</u>

Note 21b. Long Term Debtors

31 March 2021 £000		31 March 2022 £000
	Long Term Debtors	
39	Early Retirement Strain Contributions Receivable	0
<u>39</u>	Total	<u>0</u>

Note 22. Current Liabilities

31 March 2021		31 March 2022
£000		£000
(2,574)	Sundry Creditors	(5,939)
(2,201)	Payroll Expenses Payable	(2,390)
(5,736)	Advance Property Rents	(5,433)
(2,670)	Property Rental Deposits	(2,677)
(175)	Other Balances	(231)
(13,356)	Total	(16,670)

The Fund Net Assets Statement at 31 March 2022 includes a creditor of £1.536 million (£2.145 million at 31 March 2021) for sums due to the Authority. This is included in the 'Sundry Creditors' line above.

Note 23. Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Prudential, Scottish Widows and Utmost Life & Pensions. This note shows information about these separately invested AVCs. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

Restated		Market Value
Market Value		Market Value
31 March 2021		31 March 2022
£000		£000
10,066	Prudential ¹	Not Available
4,798	Scottish Widows	4,186
1,860	Utmost Life & Pensions	1,861
16,724	Total	6,047

Restated			AVCs Paid to Providers
2020/21			2021/22
£000			£000
1,866	Prudential ¹		Not Available
187	Scottish Widows		366
5	Utmost Life & Pensions		6
2,058	Total		372

¹At the date the 2020/21 statement of accounts was authorised for issue, it was reported that it had not been possible to obtain the information from Prudential on the market value at 31 March 2021 and the AVCs paid in year for 2020/21 in the required timescale to be included.

At the end of the 2021/22 financial year, the above information from Prudential for the 2020/21 year has been provided and is now disclosed above. However, the equivalent information for 2021/22 has again not been provided by Prudential to the required timescales. This situation has been reported to the Pensions Regulator.

Page 199 **Note 24. Agency Services**

The South Yorkshire Pension Fund pays discretionary awards to former employees of various bodies as shown below. The amounts paid are fully reclaimed from the employer bodies.

2020/21		2021/22
£000		£000
	<i>Payments on behalf of:</i>	
14	South Yorkshire Pensions Authority	14
2,511	Barnsley MBC	2,435
1,825	Doncaster MBC	1,796
1,295	Rotherham MBC	1,266
5,915	Sheffield CC	5,670
1,574	Other Scheduled Bodies	1,477
59	Admitted Bodies	60
13,193	Total	12,718

Note 25. Related Party Transactions

South Yorkshire Pensions Authority

The South Yorkshire Pension Fund is administered by South Yorkshire Pensions Authority. During the reporting period, the Authority incurred costs of £5.983 million (2020/21 £5.808 million) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses. All transactions are shown either in the Authority's statements or in the Fund accounts. All contributing employers are related parties to the Fund, and have material transactions with the Fund during the year in the form of contributions described elsewhere in the accounts.

The Fund received a total of £0.337 million (2020/21: £0.364 million) from the Authority as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body.

Elected members of the Authority are related parties to the Fund and are required to sign declarations when they are also members of the Fund.

Page 200 External fund managers are also related parties to the Fund and fees paid to them are included within investment management expenses (see Note 11a).

One officer of the Authority is a director of the Fund's wholly owned subsidiaries, Waldersey Farms Limited and F H Bowser Limited (see Note 25a).

Border To Coast Pensions Partnership

Border to Coast Pensions Partnership (Border to Coast) is a related party to the Fund as the Fund is a shareholder in the company, along with 10 other LGPS Funds, and holds shares amounting to £1.182 million at 31 March 2022 (£31 March 2021: £1,182 million).

Direct costs of £4.345 million (2020/21 £3.891 million) were paid to Border to Coast during the 2021/22 year.

Note 25a. Related Party Transactions - Subsidiary Companies

The Fund has within its portfolio two wholly owned subsidiary companies; Waldersey Farms Limited and F H Bowser Limited.

Waldersey Farms Limited

Waldersey Farms Limited is primarily a farming company. The book value of the company is included in the Net Assets Statement under the heading of Investment Assets, to reflect the exposure of the Pension Fund. One officer of the Authority is a director of the company.

31 March 2021		31 March 2022
£		£
1,365,012	Pension Fund Investment at Book Cost	1,365,012
6,143,100	Debenture Loan	8,000,100
<hr/>		<hr/>
7,508,112	Total Investment at Book Cost	9,365,112
7,508,112	Pension Fund Investment Market Value (Included in the Net Assets Statement)	9,365,112

Page 201 Waldersey Farms Limited has a year end of 31 December, the latest available accounts for Waldersey Farms Limited contain the following information:

31 December 2020 Restated		31 December 2021
£		£
40,721	Profit/(Loss) On Ordinary Activites Before Taxation	707,557
37,452	Profit/(Loss) After Taxation	223,954
4,818,881	Retained Profit/(Loss)	5,042,835
6,683,881	Net Assets	6,907,835
2,502,884	Rent paid to South Yorkshire Pensions Authority	2,242,549
0	Dividends paid to South Yorkshire Pensions Authority	0

A full Statement of Accounts for Waldersey Farms Limited can be obtained from the Company at Northfield Farm, Lynn Road, Southery, Norfolk, PE38 0HT.

The Authority has a debenture in the company of up to £12 million with a maturity date of 21 July 2030, of which £8.000 million has been drawn down as at 31 March 2021 (£6.143 million at 31 March 2020).

FH Bowser Limited

F H Bowser Limited owns property which it lets to third parties. The book value of the company is included in the net assets statement under the heading of Investment assets, to reflect the exposure of the Pensions Authority. One officer of the Authority is a director of the company.

31 March 2021		31 March 2022	
£		£	
10,497,338	Pension Fund Investment at Book Cost	10,497,338	
6,455,001	Pension Fund Investment Market Value (Included in the Net Assets Statement)	6,445,000	

F H Bowser has a year end of 31 December, the latest available accounts for F H Bowser Limited contain the following information:

31 December 2020		31 December 2021	
£		£	
6,930,600	Fixed Assets	7,000,600	
290,226	Current Assets	515,834	
(38,679)	Current Liabilities	(178,615)	
<u>7,182,147</u>	Net Assets	<u>7,337,819</u>	
(32,719)	Profit/(Loss) On Ordinary Activities	212,554	

A full Statement of Accounts for F H Bowser Limited can be obtained from the Company at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, South Yorkshire, S71 1HG.

Note 25b. Key Management Personnel

The key management personnel of the Fund are the senior managers and the holders of statutory roles for the South Yorkshire Pensions Authority. These officers and their remuneration payable are set out in Note 19 to the Authority's accounts.

Note 26. Contractual Commitments and Contingent Assets

Outstanding capital commitments (investments) at 31 March are shown below. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of a number of years from the date of the original commitment. The following table shows the commitments analysed according to the different currencies in which they are designated.

	31 March 2021		31 March 2022
Currency	£ Equivalent	Currency	£ Equivalent
000	£000	000	£000
£328,147	328,147	£303,881	303,881
€271,092	230,931	€325,277	273,964
US \$919,316	666,316	US \$977,289	743,864
	1,225,394		1,321,709

At 31 March 2022, 17 admitted body employers (31 March 2021: 12) in the South Yorkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2021/22 (2020/21: Nil).

Glossary of Key Terms

Accounting Period

The length of time covered by the accounts. In the case of these accounts, it is the year from 1 April to 31 March.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Amortisation

A measure of the cost of economic benefits derived from intangible assets that are consumed during the period.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Budget

An expression, mainly in financial terms, of the Authority's intended income and expenditure to carry out its objectives.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance

capital expenditure. The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Payments for the acquisition, construction, enhancement or replacement of non-current assets that will be of use or benefit to the Authority in providing its services for more than one year.

Cash Equivalents

Short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in public services.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Authority; or
- A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

Creditors

Amounts owed by the Authority for work done, goods received or services rendered, for which payment has not been made at the balance sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Debtors

Amounts due to the Authority that have not been received at the balance sheet date.

Depreciation

The measure of the consumption, wearing out or other reduction in the useful economic life of non-current assets that has been consumed in the period.

Employee Benefits

Amounts due to employees including salaries, paid annual leave, paid sick leave, and bonuses. These also include the cost of employer's national insurance contributions paid on these benefits; and the cost of post-employment benefits, i.e. pensions.

Expected Rate of Return on Pensions Assets

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

Fair Value

The amount for which an asset could be exchanged or a liability settled, in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy and Inputs

In measuring fair value of assets and liabilities, the valuation technique used is categorised according to the extent of observable data that is available to estimate the fair value – this is known as the fair value hierarchy. Observable inputs refers to publicly available information about actual transactions and events in the market. Unobservable inputs are used where no market data is available and are developed using the best information available.

The fair value hierarchy has three levels of inputs:

Level 1: Quoted prices for identical items in an active market – i.e. the actual price for which the asset or liability is sold;

Level 2: Other significant observable inputs – i.e. actual prices for which similar assets or liabilities have been sold;

Level 3: Unobservable inputs – i.e. where market data is not available and other information is used in order to arrive at a best estimate of fair value.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

General Fund

The main revenue fund of the Authority which is used to meet the cost of services paid for from the Pension Fund for which the Authority is the administering authority.

Intangible Assets

Assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software and licences.

Interest Cost

For defined benefit pension schemes, the interest cost is the present value of the liabilities during the year as a result of moving one year closer to being paid.

Leasing

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

Liability

An amount due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are those that are payable within one year of the balance sheet date.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

Non-Current Asset

An item that yields benefit to the Authority for a period of more than one year.

Past Service Cost

Past service costs arise from decisions taken in the current year but whose financial effect is derived from service earned in earlier years.

Reserves

The residual interest in the assets of the Authority after deducting all of its liabilities. These are split into two categories, usable and unusable. Usable reserves are those reserves that contain resources that an authority can apply to fund expenditure of either a revenue or capital nature (as defined). Unusable reserves are those that an authority is not able to utilise to provide services. They hold timing differences between expenditure being incurred and its financing e.g. Capital Adjustment Account.

Revenue Expenditure

Spending incurred on the day-to-day running of the Authority. This mainly includes employee costs and general running expenses.

Useful Economic Life

The period over which the Authority expects to derive benefit from non-current assets.

South Yorkshire Pensions Authority
Oakwell House
2 Beevor Court
Pontefract Road
Barnsley
S71 1HG

Tel: 0300 303 6160

www.sypensions.org.uk

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Subject	Annual Report	Status	For Publication
Report to	Audit Committee	Date	28 th July 2022
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Director	Phone	01226 666439
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

- 1.1 To secure approval for the Authority's Annual Report
-

2 Recommendations

- 2.1 Members are recommended to:
- a. **Approve the draft Annual Report as circulated.**
 - b. **Note that further work is required to incorporate information not yet available and to allow an external assessment of compliance with the Stewardship Code before final publication which will require some additions and amendments.**
 - c. **Delegate authority to the Chair of the Committee to authorise publication of the final version once these procedures and the external audit have been completed.**
-

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 a requirement of the LGPS regulations that each administering authority produce an annual report. Much of the content of the report is also specified either in the regulations or in guidance which represents a statutory proper practice.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report do not specifically link to the Corporate Risk Register.

5 Background and Options

5.1 The current draft of the Authority’s Annual Report is set out in Appendix A to this report. Given the size of the document paper copies are not being circulated. The purpose of the report is broadly to “tell our story” over the last financial year in the same way as the report and accounts of a company. There is, however, a significant degree of prescription over the content of the report which makes it a very large document including as appendices a large part of the Pensions Policy Framework, although as these are static documents subject to separate approval these are not included in this draft.

5.2 This year the production process for the annual report has not gone as smoothly as we would have wished and while the process is always “up to the wire” for this meeting of the Audit Committee on this occasion we have been unable to provide a finished product and only very limited proof reading has been possible. The key gaps are:

- The commentary on administration performance which is in preparation but not yet complete. Members will be aware that the general message here is that performance levels are being maintained at a broadly consistent level but doing so is absorbing all the capacity within the system leaving little resource to focus on development areas.
- Information on the workforce which is particularly difficult to produce from our current information systems.
- A review of the year timeline
- The section highlighting the location within the report of evidence of compliance with the Stewardship Code principles, which as it requires a significant number of cross references needs to be completed when the rest of the document has been completed.
- The Audit Certificate which needs to await issue by the Auditors and the completion of their consistency work which always follows this meeting.

5.3 In addition to the consistency work by the Auditors this year it is proposed to seek an external review of the way the document demonstrates compliance with the Stewardship Code to make sure that no items have been missed.

5.4 Given this, members are being asked to approve the current draft as representing a fair telling of “our story” and agree that the Chair of the Committee should formally authorise the issue of the final version following completion of the various pieces of work outlined.

5.5 The fact that we cannot present a fully formed annual report is unfortunate although it should be pointed out that in having a draft alongside the accounts being approved we are ahead of most funds. The fact we have not met our own high standards on this occasion reflects the overall high tempo of operations across the organisation and also the increasing reporting burdens which require lengthening chains for the provision of information by others which is included in the report.

6 Implications

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

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

George Graham

Director

Background Papers	
Document	Place of Inspection

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Subject	Internal Audit Annual Report 2021/22	Status	For Publication
Report to	Audit Committee	Date	28/07/2022
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	Phone	07795 305846
E Mail	sharonbradley@barnsley.gov.uk		

1. Purpose of the Report

- 1.1 To report on the Internal Audit Team's completed assignments relating to the 2021/22 audit plan, agreed management actions and also the Head of Internal Audit's assurance opinion based on the work undertaken.

2 Recommendation

- 2.1 ***Members are recommended to consider and receive the report.***

3. Background Information

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 governance, risk and internal control environment is adequate and operating as intended.

At the end of the financial year, the Head of Internal Audit, Anti-Fraud and Assurance produces his Annual Report, which provides his overall opinion on the adequacy of the Authority's governance, risk and internal 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

Background Papers	
Document	Place of Inspection
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 Annual Report 2021/22

Audit Committee

28th July 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 ANNUAL REPORT 2021/22

Purpose of this report

To report on the Internal Audit Team's completed assignments relating to the 2021/22 audit plan, agreed management actions and the Head of Internal Audit's assurance opinion on the Authority's internal control, risk management and governance arrangements based on the work undertaken.

Background

In accordance with statutory best practice provided by the Public Sector Internal Audit Standards (PSIAS), there is a requirement that the Head of Internal Audit (HoIA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit Committee.

The Accounts and Audit Regulations require all local authorities to publish an Annual Governance Statement (AGS) providing a narrative on the Authority's internal control, risk management and governance framework, the results of the annual review process and detailing any actions to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.

This report provides a summary of key issues arising from the work of Internal Audit covered in the 2021/22 audit plan and up to the point of preparing this report, which contributes to the overall assurance opinion the HoIA is able to give the Audit Committee. The work of Internal Audit has been undertaken throughout the year with no impairment to our independence or objectivity.

Although providing an important and significant contribution to the assurances the Audit Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit Committee will receive the Annual Governance Statement for 2021/22 at the July meeting. The Audit Committee are therefore encouraged to consider this annual report in the context of broader sources of assurance.

The financial budget for the Internal Audit Team is clearly set covering the period 1st April to 31st March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Internal Audit's opinion is provided reflecting all the work undertaken at the point of the approval of the AGS and Accounts.

Head of Internal Audit's Indicative Opinion on the Effectiveness of the Authority's Governance, Risk and Internal Control Environment

The Audit Committee has received quarterly reports throughout the audit year. In each of these reports a **reasonable** assurance opinion had been given reflecting on a quarterly basis an overall satisfactory level of internal controls and their application and also satisfactory governance and risk arrangements.

Taking the whole year into account, the audits completed, it is appropriate to give an overall **reasonable** (positive) assurance opinion for the year. The information supporting this opinion is provided below.

The general financial pressures on the public sector (particularly following the impact of the Covid 19 pandemic) coupled with significant legislative and organisational changes in the pension's arena will in turn place pressure on the capacity of senior management that if not managed

effectively could give rise to threats to the effectiveness of the control, risk and governance framework. The Authority's Senior Management Team will need to remain focused on maintaining a sound internal control, risk and governance framework – i.e. 'staying safe' in 2022-23 and beyond. The 2022-23 Internal Audit Plan aims to support the Authority and Senior Management through this period as well as focus on particular areas of activity and responsibility identified as higher risk.

Internal Audit is conscious of the extent and nature of overall scrutiny, oversight and challenge the Authority is subject to. Of particular importance is the good and effective working relationship between Internal Audit and senior management and other managers, to ensure an efficient audit is delivered and resources are directed to the most important areas of risk.

Although audit work aims to cover a broad range of services, systems and areas of Authority activity, it needs to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly, the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Fund Director regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas.

To remind the Committee, Internal Audit assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	A robust framework of controls exists that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable Assurance	A sufficient framework of key controls exists that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited Assurance	Risk exists of objectives not being achieved due to the absence of key controls in the system.	A significant breakdown in the application of key controls.
	No Assurance	A significant risk exists of objectives not being achieved due to the absence of controls in the system.	A fundamental breakdown in the application of all or most controls.

Internal Audit seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2021-22, no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this annual assurance opinion.

Summary of Internal Audit Work and Coverage 2021-22

Internal Audit aims to utilise a risk-based approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by Internal Audit work. Internal Audit was able to use the Strategic and Operational Risk Registers to contribute to the planning of audit coverage. The audit planning process and details of the 2021-22 audit plan were reported to the Audit Committee in the March 2021 meeting.

The Audit Committee has received quarterly reports that incorporate the results of audit work and management’s response on a continuous basis. A summary of the Internal Audit reports for 2021-22 is at Appendix 1.

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.

It should also be noted that Internal Audit work is variable both in its nature and timing. The risk-based approach aims to ensure the highest priority work is undertaken. As with all plans, the audit plan was determined at a particular point in time (March 2021) utilising information available and has been subject to changes in certain areas. The Audit Committee should be assured that within the finite resources available to Internal Audit, the key audit risks identified have either received audit attention during the year or are reflected in the audit plan for 2022-23.

2021-22 Internal Audit Plan Progress

The following table shows the delivery of the internal audit planned days for 2021-22 (incl. days spent on completing 2020-21 work in Q1 of the financial year), with a breakdown per Service Area. A further table confirms the number of planned assignments for the 2021-22 planned days and those completed at the time of drafting this report.

As at financial year end, we had delivered 85% of the planned days (7% of the planned days remained in contingency i.e. unallocated at year end). All 15 formal audit reports have now been completed (as in previous years, a small number of reviews were finalised during quarter one of 2022-23). The majority of work was scheduled to be undertaken towards the end of the financial year and Internal Audit profiled their resources to ensure the 2021-22 Pensions Authority plan was delivered at the time of drafting this annual report.

Four reviews were deferred into 2022-23, these being Procurement Compliance, Post Implementation Review of the Financial Management System and also the Pensions Admin System and a Business Continuity Planning review.

Delivery of 2021-22 Plan – Audit Days Delivered as at 31st March 2022

	Original plan days	Revised plan days	Actual days (% of revised days)
Finance	82.5	114.5	104 (91%)
Pensions Admin	37.5	28.5	24 (84%)
Investments	0	0	0
Authority Wide	87	61	55 (90%)
Corporate Services	30	20	22 (110%)
Contingency	4	17	0
Chargeable Planned Days	241	241	205 (85%)

Delivery of 2021/22 Plan – Planned Assignments Delivered as at 26th June 2022

	Planned Assignments	Actual Assignments Completed
Finance	7	7
Pensions Admin	5	1
Investments	0	0
Corporate Services	1	1
Authority Wide	3	2
	16	15*

* Advice continues to be provided in relation to the DPIA Process (Authority Wide).

Summary of Governance, Risk and Internal Control Issues Arising from Internal Audit work in 2021-22

Internal Audit has completed 10 individual reviews of aspects of the Authority's governance, risk and internal control framework during 2021-22 that resulted in a formal report. These audits sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control.

A summary of the assurance opinions given for the 10 reports issued, where an assurance opinion was provided, are shown below together with a comparison to 2020/21 and 2019/20.

Assurance Opinion		2021/22 Completed		2020/21		2019/20	
		No	%	No	%	No.	%
Positive Opinions	Substantial	5	50%	6	40%	1	14%
	Reasonable	5	50%	8	53%	4	58%
Negative Opinions	Limited	0	0%	1	7%	2	28%
	No Assurance	0	0%	0	0%	0	0%
TOTAL		10	100%	15	100%	7	100%

Across the various completed pieces of work 18 implications were reported and management actions agreed. These are summarised below:

AMA Category	2021/22		2020/21		2019/20	
	No	%	No	%	No	%
High	1	6%	0	0%	0	0%
Medium	9	50%	19	70%	18	56%
Low	8	44%	8	30%	14	44%
Total	100	100%	27	100%	32	100%

One high categorised management action was made in relation to the Data Quality Improvement Plan (which has now been implemented), with the remainder being categorised as medium (50%) and low (44%) priority. In all cases, management have agreed to

implement the required actions and set timescales for implementation. Although there has been significant pressure on management throughout the year and across all services, Internal Audit has continued to get good co-operation from management across the Authority and at various levels.

Details of the key issues arising from these reviews have been presented to the Audit Committee in the quarterly reports.

As stated in the quarterly reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential/risk* that losses or inefficiencies could occur.

An important part of Internal Audit’s assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority. This work is considered by External Audit who have regard to Internal Audit’s work to assist in their opinion on the financial systems for their audit of the Accounts.

Internal Audit monitors the implementation of management actions. The progress is reported to the Audit Committee via the quarterly reports. These include the priority level and status of newly added management actions. As at 6th June 2022, there were twelve management actions that remained outstanding six months after the original agreed implementation date and/or that had 3 revisions to the original agreed implementation date. Refer to Appendix 2.

The timeliness of when management implement their agreed actions has been generally satisfactory throughout the year, with reasons provided where original agreed dates have not been met and revised dates provided.

Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Agreed Management Actions	Regular work undertaken to follow-up of 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 matters.
Advice – DPIAs and Retention Policy	Provision of advice during the review and establishment of policies, systems and processes.
Project Support – Financial Management System	To provide advice and support to the Project Team during the design and implementation stages.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Member training (where required), general support and development.
NFI	Time allocated to undertake the National Fraud Initiative data matching exercise.
AGR/AGS Process	Independent review of the Officer Assurance Statements completed by SMT and the draft AGS.

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Summary of Internal Audit Reports 2021-22

Audit Assignment	Assurance Opinion	Number of implications raised:			Total	Agreed
		High	Medium	Low		
Pensions Admin: Data Quality Improvement Plan	Reasonable	1	1	0	2	2
Pensions Admin: Online Retirement Tool	Substantial	0	0	3	3	3
Authority Wide: HR Governance	Reasonable	0	4	0	4	4
DPO: Cybersecurity	Substantial	0	0	2	2	2
Finance: Fund Contributions & Rechargeable Pensions	Substantial	0	0	0	0	N/A
Finance: Support Staff Payroll	Substantial	0	0	1	1	1
Finance: Investment Income	Reasonable	0	1	1	2	2
Finance: Main Accounting	Reasonable	0	1	0	1	1
Finance: Accounts Payable	Reasonable	0	1	1	2	2
Finance: UPM Payroll	Substantial	0	1	0	1	1
Total		1	9	8	18	18

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Pensions Agreed Management Actions as at 6th June 2022
Implications

Audit Report Title, Implication Number and Implication Title	Implication - Description	Priority	Theme	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Management Action	Management Update	Action Manager	Auditor
PA - Accounts Receivable - I2 - Debt Recovery Procedure	Lack of a formal Debt Recovery Procedure may result in uncertainty of roles and responsibilities, inconsistencies in processes, failure to adhere to requirements and / or a lack of appropriate approvals during the debt recovery process. In addition, in the absence of key staff, this could impact on business continuity and the successful recovery of outstanding debt.	Medium	Financial Management	Implementation Date Elapsed - Revised Date Provided	30-Sep-2021	30-Sep-2022	2	<p>AMA 2:- There is not currently a formal, documented procedure in place for recovery of debt but the Business Support Officer (Finance) is very experienced in dealing with debt recovery and follows the procedures that would be expected in respect of pro-actively monitoring all outstanding debt, issuing reminder letters, making contact by email and by phone, agreeing repayment plans with individuals, referring to debt enforcement as required and escalating to the relevant Head of Service when appropriate. This Officer carries out these processes with the supervision of the CIPFA Trainee Accountant and the Head of Finance & Corporate Services.</p> <p>The processes and procedures for dealing with credit control and debt recovery will be fully reviewed as part of the implementation of the team restructure and also the implementation of the new finance system that will provide much better functionality to enable a greater use of automation of reminders, diary notes and flags, and reporting / analysis.</p> <p>As a result of the review, a procedure / policy manual for debt recovery will be produced.</p>	<p>Update Note 29/03/2022: The new finance system was implemented WEF 01/12/2021, slightly later than anticipated, and since this date we have been working on bringing the system up to date and the backlog of work caused by the system implementation.</p> <p>Part of the implementation involves familiarisation with the enhanced debt recovery functionality the system provides, including automation of reminders and more detailed analysis of the outstanding debts to improve reporting. We are currently producing the initial debt recovery procedure in relation to the first stages of recovery, and will shortly be moving on to formalising the remainder of the debt recovery process.</p> <p>Implementation date revised to 30th September 2022.</p>	Will Goddard, Financial Services Manager	Paula McMullan
PA - Accounts Payable - I1 - Operational Procedures	Lack of up-to-date operational procedures may result in a lack of clarity with regards to new processes, an uncertainty of roles and responsibilities and failure to adhere to requirements and / or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	Medium	Information Governance	Not Yet Due	30-Sep-2022		0	<p>AMA 1: The team working on Accounts Payable on Cloud Financials have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will now complete the documentation of new procedure manuals for all the relevant accounts payable processes. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by 30th September 2022; and regularly reviewed thereafter.</p> <p>Target Implementation Date:- 30/09/2022</p> <p>AMA 2: The Purchasing Cards Procedures and Cardholder Guide will be completed to reflect current Administrator details and telephone numbers – this will be completed by 30th April 2022.</p>		Will Goddard, Financial Services Manager	Caroline Hollins
PA - DPO Survey – I1 - GDPR Staff Awareness	A lack of awareness with regards to individual roles and responsibilities in relation to GDPR requirements may result in: - failure to comply with legislative requirements; risk of unauthorised or unlawful processing, accidental loss, destruction or damage; potential mismanagement of data; potential data breaches occurring, delays in investigation and the issuing of associated ICO sanctions; personal information not being safeguarded appropriately.	Medium	Information Governance	Implementation Date Elapsed - Revised Date Provided	30-Jun-2021	30-Jun-2022	2	<p>Mandatory GDPR Refresher training will be provided for all staff in the first quarter of the 2021/22 year to reinforce the principles that staff were all previously trained on. All new staff joining SYPA already receive GDPR training as part of their induction. Prior to this, all staff will be reminded of the internal reporting arrangements via staff updates.</p> <p>30 June 2021 for training 31 January 2021 for internal communications.</p>	<p>Update Note 23/02/2022: The Linked In Learning facility is now live and has wider training benefits for the organisation but, on investigation, there is not currently an appropriately focused GDPR learning module which would meet SYPA requirements. Therefore, an alternative course has been identified via '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.</p> <p>Update provided by Gillian Taberner 22.2.22</p>	Head of Pensions Admin	Gillian Martin
PA - Financial Management System PIR - I1 - Operational Procedures	Lack of up-to-date operational procedures may result in a lack of clarity with regards to new processes, an uncertainty of roles and responsibilities and failure to adhere to requirements and / or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	Medium	Information Governance	Not Yet Due	31-Dec-2022		0	<p>AMA 1: The team working on Accounts Receivable on Cloud Financials have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will now complete the documentation of new procedure manuals for all the relevant Accounts Receivable processes. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by 31st December 2022; and regularly reviewed thereafter.</p>		Will Goddard, Financial Services Manager	Caroline Hollins

Pensions Agreed Management Actions as at 6th June 2022
Implications

Audit Report Title, Implication Number and Implication Title	Implication - Description	Priority	Theme	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Management Action	Management Update	Action Manager	Auditor
PA - HR Governance - I1 - Policies and Procedures	Failure to complete the three year Policy Review Programme may result in a lack of detailed and up to date policies / procedures that have been recently reviewed, approved and published and a misalignment with strategic objectives and priorities. In addition there may be a lack of clarity with regards to processes to be adopted and individual roles / responsibilities and a failure to take into consideration any changes in legislative / regulatory requirements.	Medium	Business Continuity / Emergency Resilience	Implementation Date Elapsed - Revised Date Provided	31-Oct-2021	31-Oct-2022	1	<p>Agreed Management Action</p> <p>AMA 1:- The three year review process commenced in October 2018. As of December 2019, 16 of the 29 policies included in the programme have completed the review process, 5 are in progress and 8 have yet to commence. The programme of work has been prioritised based on dealing with those policies where Legal compliance is a risk first. These have been dealt with. While the remaining policies do require updating and streamlining, these are workable.</p> <p>Progress on the programme is already reviewed by the Senior Management Team as part of the HR Business Partner's quarterly report, allowing work to be prioritised between this activity and other equally important HR related work that needs to be undertaken. No further action is considered necessary.</p> <p>The review programme is scheduled for completion by October 2021.</p>	<p>Update Note 18/10/2021: Update from the HR Business Partner</p> <p>Although good progress has been made in this area, there are still some old policies that although legislatively correct need 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.</p>	Steph Barker, HR Business Partner	Caroline Hollins
PA - HR Governance - I3 - Training Programme	The lack of a corporate approach to the management of training & development has led to an ineffective and inefficient process for monitoring training requirements across the Pensions Authority.	Medium	Managing People	Implementation Date Elapsed - Revised Date Provided	31-Jul-2020	31-Jul-2022	3	<p>Agreed Management Action</p> <p>AMA 4:- Historically the aspects of training examined have been almost entirely focussed on the technical knowledge requirements of the Pensions Administration Service. This reflects the way which the organisation has been managed historically. In future, while responsibility for specific areas of technical learning will remain with individual services, a whole organisation approach to managing and assessing requirements for learning and development will be adopted. The Authority's budget proposals include very significant investment in various forms of learning and development activity covering all staff. The aim is to create programmes (utilising e-learning and other technologies) which cover:-</p> <ul style="list-style-type: none"> •Induction •Annual refresher programmes (covering areas such as data protection and anti-fraud) •Supporting the Pensions Administration career grade process <p>Work is also required as part of this process to more clearly drive the overall training and development plan from the results of the appraisal process and to more clearly identify the volume of learning and development activity undertaken by staff which is self-evidently considerable but not recorded.</p>	<p>Update Note 23/02/2022: "Update Note 22/02/2022</p> <p>As indicated previously, this is an ongoing piece of work which is now reflected in the HR Strategy approved at the meeting of the Authority in February. Currently, progress is continuing on developing our use of the LinkedIn Learning platform, the collation of training requirements using SharePoint as an interim measure pending the procurement of a new HR system. Suggest revise target date for a further update to 31/07/2022."</p>	George Graham, Fund Director	Caroline Hollins
PA - HR Governance - I2 - Workflow / Reminders	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.	Medium	Performance Management & Data Quality	Not Yet Due	30-Jun-2022		0	<p>Note that the issues with Office 365 are now resolved and guidance is available.</p> <p>AMA 2: 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>	<p>Update Note 17/05/2022: Update from the Governance and Risk Officer on the 16.5.22</p> <p>All line managers have been briefed on requirement to complete the annual appraisals between April and aiming for end of June - to be cascaded whereby managers have their appraisals first, and then they carry out appraisals for their direct reports. (The target end date may be extended to mid-July due to a delay on completion of senior manager appraisals which took place at the end of April instead of early April).</p> <p>Central completion list set up on SharePoint for managers to record when appraisals completed and this will be monitored by HR and reminders sent out as required.</p>	Gillian Taberner, Head of Finance and Corporate Services	Caroline Hollins
PA - Information Governance - I1 - Records Management / Document Retention Policy	Failure to comply with legislative requirements in relation to the retention of documents (particularly those containing personal information) and this could lead to reputational damage and sanctions/fines from the Information Commissioners Office.	Medium	Information Governance	Implementation Date Elapsed - Revised Date Provided	31-Jan-2021	30-Jun-2022	2	<p>Updated as part of the draft report responses from the Head of Pensions Administration.</p> <p>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. A more detailed Records Management/Document Retention Policy will therefore be developed in conjunction with the new Governance, Risk and Compliance Officer who is currently being recruited. Given the time lag for recruitment, a later implementation date has been suggested.</p>	<p>Update Note 23/02/2022: Update from the Head of Finance and Corporate Services</p> <p>Due to the requirement to support the Oakwell House move, the Governance and Risk Officer has not been able to progress the work required to create a new Records Management Policy.</p> <p>This action should therefore be carried forward to Quarter 1 of 2022/23. Revised date 30 June 2022.</p>	Head of Pensions Administration	Caroline Hollins

Pensions Agreed Management Actions as at 6th June 2022
Implications

Audit Report Title, Implication Number and Implication Title	Implication - Description	Priority	Theme	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Management Action	Management Update	Action Manager	Auditor
PA - Information Governance - I3 - 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.	Medium	Information Governance	Implementation Date Elapsed - Revised Date Provided	30-Nov-2020	30-Jun-2022	2	Updated as part of the draft report responses received from the Head of Pensions Administration. The Process Maps will be updated by each of the individual service areas now that the new Service Managers have been appointed and the Head of Pensions Administration and Corporate ICT and Digital Manager, in conjunction with the Risk and Compliance Officer (when appointed) will create and monitor the Action Plan to ensure that any areas of non-compliance are addressed.	Update Note 23/02/2022: Update from the Head of Finance and Corporate Services Due to the requirement to support the Oakwell House move, the Governance and Risk Officer has not been able to progress the work required to create a new Records Management Policy. This action should therefore be carried forward to Quarter 1 of 2022/23. Revised implementation date 30 June 2022.	Head of Pensions Administration	Caroline Hollins
PA - Information Governance - I4 - Records Management	Failure to comply with legislative requirements in relation to the retention of documents (particularly those containing personal information) and this could lead to reputational damage and sanctions/fines from the Information Commissioners Office.	Medium	Information Governance	Implementation Date Elapsed - Revised Date Provided	31-Jan-2021	30-Jun-2022	2	Updated as part of the draft report responses from the Head of Pensions Administration 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. A more detailed Records Management/Document Retention Policy will therefore be developed in conjunction with the new Governance, Risk and Compliance Officer who is currently being recruited. This will include a review of the current wording of the Privacy Notice to ensure consistency with the new Policy. Given the time lag for recruitment, a later implementation date has been suggested. With specific reference to SharePoint, a Quarterly Monitoring Report will be made available to the Senior Management Team to ensure all documentation on SharePoint is reviewed in line with the retention dates set.	Update Note 23/02/2022: Update received from the Head of Finance and Corporate Services Due to the requirement to support the Oakwell House move, the Governance and Risk Officer has not been able to progress the work required to create a new Records Management Policy. This action should therefore be carried forward to Quarter 1 of 2022/23. Revised implementation date of 30 June 2022.	Head of Pensions Administration	Caroline Hollins
PA - Investment Income - I1 - Operational Procedures	Lack of up to date operational procedures may result in uncertainty of roles and responsibilities, inconsistencies in processes, failure to adhere to requirements and/or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	Medium	Information Governance	Not Yet Due	30-Sep-2022		0	AMA 1: The team working on transactions on Shareholder have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will document new procedure manuals for Shareholder for future use. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by September 2022; and regularly reviewed thereafter.		Sue Mallinson, Finance Team Leader	Caroline Hollins
PA - Main Accounting - I1 - Operational Procedures	Lack of up-to-date operational procedures may result in a lack of clarity with regards to new processes, an uncertainty of roles and responsibilities and failure to adhere to requirements and / or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	Medium	Information Governance	Not Yet Due	31-Dec-2022		0	AMA 1: The team working on the Cloud Financials system have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will now document the new procedure manuals for General Ledger, Bank Reconciliations, and Systems Access. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by 31st December 2022; and regularly reviewed thereafter.		Will Goddard, Financial Services Manager	Caroline Hollins
PA - Online Retirement Tool - I2 - Added Voluntary Contributions	The previously identified AVC concerns have not been fully resolved and this may impact upon the successful delivery of the Deferred Online Retirement Tool.	Medium	Performance Management & Data Quality	Implementation Date Elapsed - Revised Date Provided	31-Mar-2021	30-Jun-2022	2	AMA 2: The performance of AVC providers specifically in relation to release of retirement funds at retirement has already been monitored for at least 12 months with no specific concerns identified which would impact on the Retire Online process. However, it is acknowledged that the performance of AVC providers on the wider range of administration functions does need to be resolved and new SLAs agreed. The Benefits Team Manager has been compiling the totality of issues to raise with the respective AVC providers over a representative period and this will be raised formally with the respective Relationship Managers to agree new terms.	Update Note 28/02/2022: 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. Implementation date revised to 30th June 2022.	Adam Bartlett, Benefits Team Manager	Caroline Hollins

Pensions Agreed Management Actions as at 6th June 2022
Implications

Audit Report Title, Implication Number and Implication Title	Implication - Description	Priority	Theme	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Management Action	Management Update	Action Manager	Auditor
PA - Pensions Administration System - I2 - Action Logs	Failure to maintain an accurate and up to date Action Log, including the detailed actions required, by whom and when may result in a lack of clarity with regards to the actions required and a lack of a framework upon which these can be managed / monitored.	Medium	Performance Management & Data Quality	Not Yet Due	31-Dec-2022		0	<p>AMA 3: Monthly Account meetings and regular Technical Groups have been operating for some time and are minuted. Initiated by SYPA and Cheshire Pension Fund, a new Strategic LGPS Meeting consisting of all LGPS Pension Manager clients and senior Civica representatives is being set up and a Terms of Reference have been provisionally agreed. The first meeting is scheduled for 26th May 2022 (with a pre-meet solely for LGPS Managers at the end of April).</p> <p>Responsible Officers: Jason Bailey, Head of Pensions Administration / Andrew Kenyon, Pensions Systems Manager Target Implementation Date: Completed</p> <p>AMA 4: The meetings will have a focus on current service performance (and resolution) as well as product and service development and will be held twice-yearly and chaired and minuted by Civica. Actions arising will be published for the benefit of all LGPS Pension Manager clients. This will be reviewed at the end of December 2022.</p> <p>Responsible Officers: Jason Bailey, Head of Pensions Administration / Andrew Kenyon, Pensions Systems Manager Target Implementation Date: 31st December 2022</p>		Jason Bailey, Head of Pensions Administration / Andrew Kenyon, Pensions Systems Manager	Caroline Hollins
PA - Pensions Review Process Child Pensions - I2 - SMT Reports	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.	Medium	Performance Management & Data Quality	Implementation Date Elapsed - Revised Date Provided	31-Oct-2021	30-Jun-2022	1	<p>AMA 2:- The reporting procedures for the new Child Review Process are still to be finalised, however, the report will contain the following:</p> <p>For Benefits Team Manager: Full list of Child Pensions in payment, individual identifier, date pension commenced, current pension in payment, age, date current review started, outcome of review (continuation or cessation), number of times chased for response, name of educational/vocational institute, and expected date of next review. Where a pension is to cease, additional details will be reporting concerning net overpayment, period of overpayment, date pension should have/will cease.</p> <p>For Senior Management Team (including for reporting to Pensions Authority or Local Pensions Board where appropriate): Due to the nature of the exercise in relation to the academic year, reporting will be bi-annually. This will include total number of children's pensions in payment, number reviewed as part of exercise and relevant outcomes (ceased, continuing in education, etc) including details of any overpayments and actions taken. The report will also include details of any new pensions in payment for disability reasons to provide assurance these have been appropriately authorised.</p>	<p>Update Note 28/02/2022: 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.</p> <p>Implementation date revised to 30th June 2022.</p>	Adam Bartlett, Benefits Team Manager	Caroline Hollins
PA - Pensions Review Process Child Pensions - I4 - Members Registered with Long Term Illness and/or Disabilities	Failure to refer cases for dependents who are registered disabled and unable to work to Senior Management for review may lead to the ongoing payment of child benefits without the appropriate level of approval. This may also impact on Management's ability to effectively manage the recovery of overpayments made and the financial / reputational position of the Authority.	Medium	Democracy	Implementation Date Elapsed - Revised Date Provided	31-Aug-2021	30-Jun-2022	1	<p>AMA 4:- As some information regarding the mental/physical impairment of a child beneficiary is supplied during the death process, a new stage has been introduced for all disability related reviews to ensure the approval is sought from the HoPA (or such delegated officer as may be decided in future).</p> <p>Additionally, a full review of children's pensions in payment due to disability is underway by the Benefits Team Manager (BTM). Although this will be conducted as a full review, the primary focus will be on whether the bank details held for all child beneficiaries are appropriate, together with the level of approval sought on all disability pensions in payment. This will involve a manual review all child beneficiary member files and addressing any approval requirements with the HoPA, where necessary.</p> <p>Target Implementation Date:- 30th June 2021 for implementation of new process / 31st August 2021 for completion of review of all existing disability related pensions.</p>	<p>Update Note 28/02/2022: 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.</p> <p>Implementation date revised to 30th June 2022.</p>	Jason Bailey, Head of Pensions Administration Adam Bartlett, Benefits Team Manager	Caroline Hollins

Pensions Agreed Management Actions as at 6th June 2022
Implications

Audit Report Title, Implication Number and Implication Title	Implication - Description	Priority	Theme	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Management Action	Management Update	Action Manager	Auditor
PA - Procurement Insurance - I1 - Legislative and Regulatory Compliance	<p>Non-compliance with legislative and regulatory requirements increases the risk of supplier challenge and / or claim and may impact on the maximisation of opportunity to achieve efficiencies and value for money through procurement activity undertaken.</p> <p>The absence of an effective / robust management trail increases the potential for adverse publicity should a challenge or claim be submitted that requires evidence of how the processes had been administered and also how decisions had been made.</p>	Medium	Contracts / Procurement / Commissioning	Implementation Date Elapsed - Revised Date Provided	30-Sep-2021	30-Sep-2022	2	<p>AMA 1</p> <p>Procurement training will be delivered to key officers of the Authority to increase awareness of and to facilitate compliance with the requirements of the PCRs and Authority CSOs. A filing system and a collaboration platform (i.e. egress workspace) will be utilised for procurement activity moving forward to allow for the sharing and review of documentation between all relevant stakeholders aligned to the process flows / requirements of Authority CSOs.</p> <p>Responsible Officer Head of Finance & Corporate Services</p> <p>Target Implementation Date 30th September 2021</p>	<p>Update Note 17/05/2022: Initial Gateway approval document has been drafted which will form the basis of the key officer procurement training . Subject to availability and timing, we're considering commissioning the training from either BMBC procurement team or possibly from CIPFA Procurement Network.</p> <p>The new YORTender system has now been implemented and is in use, key officers have received training and BMBC are to deliver overarching training to the wider team.</p> <p>The Gateway document will define the systems for sharing and storing procurement activity. In essence YORTender will become the key area for managing our contracts and procurement projects, ensuring a central record. Our current SharePoint Procurement library will also continue to be used as a shared space for additional reference, any draft documents prior to upload if appropriate, user guides etc.</p>	George Graham, Director Gillian Taberner, Head of Finance and Commercial Services	David White

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Pensions Agreed Management Actions as at 6th June 2022

Recommendations

Audit Report Title, Recommendation Number and Recommendation Title	Recommendation - Description	Priority	Theme	Status	Target Impl. Date	Revised Target Impl. Date	No of Date Revisions	Agreed Management Action	Management Update	Action Manager	Auditor
PA - Added Voluntary Contributions - R10 - SLAs with AVC Providers	<p>The Authority should undertake a review to determine the adequacy of the current contract management arrangements with the AVC providers.</p> <p>Amendments to any agreements where possible should maximise processing efficiencies, value for money and enhance customer service.</p> <p>Moving forward, a process should be established 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>	Significant	Contracts / Procurement / Commissioning	Implementation Date Elapsed - Revised Date Provided	31-Dec-2019	30-Jun-2022	5	<p>Agreed Management Action:</p> <p>1. SYPA are waiting on information from all current AVC providers regarding any existing Service Level Agreements. These agreements are historic and it is unlikely they are comprehensive and fit for purpose.</p> <p>Head of Pensions Administration</p> <p>AVC review to commence by 31st December 2019</p> <p>2. SYPA is due to carry out a wider review of AVC providers in conjunction with an independent adviser. As part of the process, SYPA will commence monitoring of performance by AVC providers, specifically in relation to time taken to release AVC funds following a member's decision to claim payment of their fund.</p> <p>Head of Pensions Administration</p>	<p>Update Note 28/02/2022:</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>Implementation date revised to 30th June 2022.</p>	Jason Bailey, Head of Pensions Administration	Caroline Hollins

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Subject	Internal Audit Charter Report 2021-24	Status	For Publication
Report to	Audit Committee	Date	28/07/2022
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	Phone	07795 305846
E Mail	SharonBradley@barnsley.gov.uk		

1 Purpose of the Report

- 1.1 This report presents to the Committee the Internal Audit Charter (attached as Appendix 1) for approval as required by the Public Sector Internal Audit Standards (PSIAS).

2 Recommendation

- 2.1 The Committee is recommended to consider and approve the Internal Audit Charter and consequently be assured that the Internal Audit function operates in accordance with the relevant standards.**

3 Background Information

- 3.1 The first Standard in the PSIAS – 1000 Purpose, Authority and Responsibility, states that:

“The internal audit charter is a formal document that defines the internal audit activity’s purpose, authority and responsibility. The internal audit charter establishes the internal audit activity’s position within the organisation, including the nature of the Head of Internal Audit’s functional reporting relationship with the Board (Audit Committee); authorises access to records, personnel and physical properties relevant to the performance of engagement; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Board.”

- 3.2 The Charter is structured to explain the various aspects of the function, its Mission and Core Principles, authority and scope, purpose, definitions, responsibilities of Internal Audit and Senior Management, the position of Internal Audit within the organisation, the resources, skills, competencies and standards, access to people and information, the scope of activity, planning, reporting and quality assurance.

- 3.3 Some of the language used in the Charter is generic, to cover the various organisations that Internal Audit serves.

- 3.4 It is good practice to review the Charter periodically to ensure it reflects how the function operates but also to ensure that the requirements and provisions of the PSIAS are adequately covered. There are no changes required at this time, the Charter represents how the Internal Audit operates.

4. Appendix

Appendix 1 – Internal Audit Charter 2021 – 2024

Officer Contact: Head of Internal Audit, Anti-Fraud and Assurance
Email: robwinter@barnsley.gov.uk
Date: 17th June 2022



BARNSLEY
Metropolitan Borough Council

INTERNAL AUDIT SERVICES

Internal Audit Charter

2021 – 2024

Updated March 2021

1. Introduction

- 1.1 The Internal Audit function is a key component of an organisation's governance framework. As such, it aims to provide a quality objective and independent management support function in order to influence and contribute to the achievement of strategic objectives. An important part of this support is the development and maintenance of excellent client relationships and adopting an innovative and flexible approach to the delivery of the service. This Charter provides the framework for the management and delivery of the Internal Audit function and is applicable to all client organisations.
- 1.2 This Charter therefore defines the mission and core principles for Internal Audit, its authority and scope, purpose, responsibilities, position in the organisation, resources and standards, planning and reporting. This is consistent with and in compliance with the Public Sector Internal Audit Standards (PSIAS).
- 1.3 The PSIAS defines internal audit as:

“... an independent, objective assurance and consulting function designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”.

2. Mission and Core Principles

- 2.1 The PSIAS also provides a mission for the Internal Audit function that articulates what it aspires to accomplish within the Council and for its external client organisations.
- 2.2 The mission for Internal Audit is:
- “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.*
- 2.3 A set of core principles have also been defined through the PSIAS aimed at articulating internal audit effectiveness. The function aims to demonstrate these principles in all it does and across all the organisations it serves. The core principles and how they are met are: -

Principle	How Discharged
Demonstrates integrity	All IA staff are obliged to adhere to the Code of Ethics within the PSIAS (see para 8.8) and confirm annually that they have read, understood and will comply.
Demonstrates competence and due professional care	IA have a performance management process of specific job supervision and management complimented by regular 1:1s and the corporate PDR process. Feedback from clients and peers on each piece of work is also utilised for this purpose. IA staff undertake regular specific and general training and development activities in accordance with the agreed training plan. (See para 8.9)
Is objective, free from undue influence and therefore demonstrates independent thought	As individuals, the ability to operate objectively and with an independent mind is a core attribute of being in IA and a requirement within PSIAS (see paras 8.5 and 8.6). The HoIA's position within the organisation also sets this tone and is further reinforced by the specific access to information and other officers afforded to IA.
Aligns with the strategies, objectives and risks of the organisation	IA planning and delivery is built upon the knowledge of the organisation's strategies, objectives and key risks. Consideration of these is an integral part of annual and specific job planning.

Principle	How Discharged
Is appropriately positioned and adequately resourced	The HoIA has the necessary reporting lines and unfettered access to the relevant statutory officers, audit committees and the external auditors of all client organisations. The resources of the IA function are assessed annually as part of the audit planning process. It is the duty of the HoIA to highlight any concern regarding the resources available for IA to the organisation.
Demonstrates quality and strives for continuous improvement	The HoIA maintains a Quality Assurance and Improvement Programme (QAIP) as required by PSIAS. This aims to ensure the delivery of high-quality IA services but to also identify any opportunities for further improvement. The client feedback process is a key element of this and liaison with other external parties (e.g. S&WY HoIA Group, CIPFA Special Interest Group for IA and Police Audit Group).
Communicates effectively	A key output from IA is the audit report. These are compiled in a clear and concise manner to highlight the key areas for management to address. Regular liaison meetings are held with each client throughout the year via client update meetings with nominated SPOCs, DMTs, to ensure the sharing of information and that operational working arrangements, job planning and delivery are effective. The HoIA's annual report is also a key element of organisational communication.
Provides risk-based assurance and advice	All IA planning (formal assurance work and advice/consultancy) considers the risk, concerns, issues and threats to an organisation, a service or system in whatever capacity IA work is focussed. IA reports refer to these matters such that management are alerted to undertake any actions to address risks etc. The HoIA's annual opinion focusses on assurance about the effectiveness of an organisation's risk management, control and governance arrangements.
Is insightful, proactive and future-focussed	The scoping of IA work includes prompts and opportunities to provide innovative solutions, provide advice and consider future activities, capacity and efficiencies. This is particularly an area of focus in the advisory work IA undertakes.
Promotes organisational improvement	All IA work as referenced above, is designed to assist management and the organisation deliver its strategic and operational objectives in the most efficient and effective way.

2.4 The Barnsley Internal Audit Service operates within a challenging environment across all client organisations to deliver the services each requires and to ensure it provides added value. The Service needs to be able to react and adapt to the rapid pace of change which is taking place both locally, regionally and nationally. Accordingly, and in addition to the core principles in the PSIAS, the Charter has been extended to include even wider aspirations of the Internal Audit Service, which are to:

- ✓ Develop, maintain and enhance relationships particularly where a client organisation is undergoing significant change to ensure that the service is aware of and understands its needs and objectives;
- ✓ promote and support clients with regards to an increase in regional and collaborative working;
- ✓ understand its position with respect to the organisation's other sources of assurance and plan our work accordingly;
- ✓ be seen as a catalyst and support for change at the heart of the organisation;
- ✓ be the auditor of choice, delivering exceptional client service;
- ✓ add value and assist the organisation in achieving its strategic objectives;
- ✓ be forward looking – knowing where the organisation wishes to be and being aware of the relevant national agenda and its impact;
- ✓ be innovative and challenging;

- ✓ help to shape the ethics and standards of the organisation, reducing bureaucracy whilst maintaining high standards of governance and compliance;
- ✓ ensure the right resources are available recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly;
- ✓ ensure all staff are supported in undertaking relevant professional qualifications and continuous professional development;
- ✓ share best practice with other internal auditors, clients and other professional services;
- ✓ seek opportunities for joint working with other organisations' auditors and assurance providers.

3. Authority and Scope of Internal Audit

- 3.1 The requirement for an internal audit function is detailed within the Accounts and Audit Regulations 2015 which state that a relevant body must “*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards and guidance [PSIAS]*”.
- 3.2 In accordance with the PSIAS, the scope of Internal Audit allows that in fulfilment of audit responsibilities there will be unrestricted coverage of all the organisation's activities and unrestricted access to all functions, records, data, personnel, premises and assets of the organisation and its partner organisations, as deemed necessary in the course of audit work and as set out in relevant partnership agreements and contracts. Internal Audit has therefore the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
- 3.3 All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Head of Internal Audit (HoIA) and staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 3.4 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance, risk management, and internal control processes in an organisation as well as the quality of performance management arrangements in carrying out assigned responsibilities to achieve the objectives of the organisation.

4. Purpose of Internal Audit

- 4.1 Each client organisation is responsible for establishing and maintaining appropriate risk / concern management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising whether effective and efficient arrangements exist. The annual HoIA opinion, which informs the annual governance statement, both emphasises and reflects upon the importance of this aspect of Internal Audit work. The response to Internal Audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the corporate objectives, improvement and support innovation and change.
- 4.2 This is achieved through internal audit providing a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems and processes are designed (adequacy) and how well they are working (application). Consulting and advisory activities are available and complimentary to assist management make improvements to systems and processes where necessary.

5. Definitions

- 5.1 As the Internal Audit function serves a number of different organisations and for the purpose of this Charter the following definitions apply:

The Board – generally the governance group charged with seeking independent assurance on the adequacy of the control, risk management and governance framework, and the main oversight body for the delivery of the internal audit function. Such Boards are usually the group performing the role of an audit committee.

Senior Management – generally those responsible for the leadership and direction of the organisation as a collective, incorporating the ‘chief executive’ role.

6. Responsibilities of Internal Audit and Senior Management

6.1 The responsibilities and objectives of Internal Audit are as follows:

- i. To be a valuable asset to the organisation by supporting senior management in meeting their corporate responsibilities.
- ii. To contribute to assurances to those charged with governance in relation to the robustness and reliability of internal controls, risk / concern management and governance to support the Annual Governance Statement (AGS).
- iii. To support the Statutory S151 Officer / Responsible Financial Officer in discharging their duties.
- iv. To periodically review, appraise and report on the extent to which the assets and interests of the organisation are accounted for and safeguarded from loss and the suitability and reliability of financial and other management data and information.
- v. To support the requirement to seek efficiency including the arrangements for achieving value for money and effective change management.
- vi. To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk / concern and governance arrangements. Such assurances include information technology governance and ethical behaviour.
- vii. To assess the adequacy and effectiveness of the organisation's contracts, procurement, commissioning and associated governance arrangements.
- viii. To assess the adequacy and effectiveness of the organisation's corporate risk / concern management process and the level of embeddedness in business as usual, whilst ensuring that Internal Audit does not adopt management responsibilities for managing risks.
- ix. To evaluate the risk of fraud and the manner in which it is managed by the organisation. In addition, to reduce the incidence of fraud and irregularity by publicising the findings of fraud investigations to act as a deterrent and provide a quality fraud and irregularity prevention, detection and investigation service.
- x. To disseminate examples of best practice in the application of an effective control, risk / concern and governance framework.
- xi. To provide an Internal Audit advisory service intended to add value and improve governance, risk / concern management and control processes.
- xii. To provide advice and an objective and supportive consulting service in respect of the development of new programmes and processes and / or significant changes to existing programmes and processes including the design of appropriate controls. This is usually achieved through membership of Officer Groups, Governance and other Boards or working parties as well as direct contact with officers within services / functions / departments. Such advice and consultation work forms an important part of the audit plan.
- xiii. To prepare timely, concise and informative reports to management to facilitate the improvement of the control environment.
- xiv. To undertake Audit support activities in respect of assisting the Audit Committee (or equivalent) to discharge its responsibilities; monitoring the implementation of agreed management actions; disseminating across the entity better practice and lessons learnt arising from its audit activities and having oversight of the audit function.

6.2 Under the PSIAS, the HoIA has a specific responsibility to lead and manage the Internal Audit function and have the necessary and unfettered access to senior management and audit committees.

6.3 Senior management also have responsibilities under this Charter in order to maximise the effectiveness and efficiency of the Internal Audit function. These are to:

- Engage fully and flexibly in the audit planning process, providing information and insight into high risk areas or areas of strategic focus or concern
- Nominate and commit to lead officers for each internal audit assignment and a point of reference for the overall management of the internal audit service
- Engage in a timely manner with Internal Audit in the scoping of work and agreeing terms of reference, dealing with audit queries and discussing draft and final reports

- Provide evidence to Internal Audit (and the audit committee) of the implementation of agreed management actions.
- 6.4 Arrangements will be made with each client organisation to monitor joint compliance with these responsibilities.
- 6.5 It should be noted that internal audit is not responsible for the operation of control functions within the Council (or other organisations); these responsibilities rest with senior management. Internal audit should not be regarded as a substitute for good management.
- 7. Position of Internal Audit in the Organisation(s)**
- 7.1 Within the Council the HoIA reports functionally to the Audit Committee and organisationally to the Service Director – Finance (Section 151 Officer).
- 7.2 With regards to non-council client organisations the HoIA reports functionally to the respective audit committee / Board. Whilst the organisational relationship is different in the external client organisations, to fulfil professional responsibilities the HoIA will report to the respective Chief Finance Officer and/or Chief Executive.
- 7.3 Irrespective of the organisation, the HoIA has direct and unfettered access to the Chief Executive (or equivalent), Monitoring Officer (or equivalent) and Responsible Finance Officer. The HoIA also has access to the respective audit committees where this is deemed necessary in the discharging of professional responsibilities.
- 8. Internal Audit Resources / Skills / Competencies and Standards**
- 8.1 In accordance with PSIAS, the HoIA will be professionally qualified and suitably experienced in the leadership and management of an internal audit function. These requirements reflect the responsibilities of the HoIA in leading a professional discipline, demonstrating personal independence and objectivity and the need to liaise with senior management, members and other professionals.
- 8.2 It is the responsibility of the HoIA to establish and maintain an appropriately skilled and experienced team and to set a culture of continuous improvement for the function. Resources will be set aside in the operational budget for the purposes of staff development and general and professional training.
- 8.3 At least annually, the HoIA will submit to the 'Chief Executive' and the Audit Committee an Internal Audit plan for review and approval. The plan will consist of a work schedule and resource requirements for the next financial year(s). The plan will include the impact of any resource limitations and significant actual or planned changes.
- 8.4 The Standards element of the PSIAS highlights some key expected competencies. These are:
- 8.5 Independence:
- 8.5.1 An independent approach and mind-set is essential to the effectiveness of the Internal Audit function. To ensure this, Internal Audit operates within a framework that allows: -
- Unrestricted access to the relevant senior officers; the Chair of the Audit Committee and Audit Committee Members; individual Senior Management Officers; employees and the responsible External Auditor.
 - The HoIA to report in his own name.
 - Segregation from line operations. Where the Head of Internal Audit has management responsibility for an operational area (i.e. Data Protection Officer for the Council and Clients, Risk Management, Governance and Assurance, Corporate Anti-Fraud), the Audit Manager will be responsible for managing reviews of those areas and for approving the final reports.
- 8.5.2 The Head of Internal Audit reports directly to the Board and it is the Board's responsibility to:

- Approve the internal audit charter;
 - Approve the risk based internal audit plan (within the approved resource envelope);
 - Receive updates on internal audit activity and performance relative to the delivery of the plan and other matters;
 - Make appropriate enquiries of management and the Head of Internal Audit to determine whether there are inappropriate scope, operational responsibility or resource limitations.
- 8.5.3 The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.
- 8.5.4 Internal Auditors are generally not involved in undertaking non-audit activities and an Auditor will not be involved in the audit of any system or process for which they had previous operational responsibility for a period of two years, where they have secondary employment or where there is a conflict of interest.
- 8.5.5 Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and to provide for service continuity and resilience.
- 8.6 Objectivity:
- 8.6.1 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and:
- not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
 - not accept anything that may impair or be presumed to impair their professional judgement.
 - disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
 - declare any real or perceived interests on an annual basis. In addition, a prompt is included at the assignment planning phase of each audit and officers are reminded each year (and asked to confirm understanding) that they will comply with the Council's Code of Conduct plus that of their professional body (e.g. AAT, CIPFA, IIA).
- 8.7 Confidentiality:
- 8.7.1 Internal Auditors are expected to display confidentiality and:
- Shall be prudent in the use and protection of information acquired in the course of their duties.
 - Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.
- 8.8 Integrity:
- 8.8.1 In the conduct of audit work, Internal Audit staff will:
- perform their work with honesty, diligence and responsibility.
 - observe the law and make disclosures expected by the law and the profession.
 - not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
 - respect and contribute to the legitimate and ethical objectives of the organisation.
 - comply with relevant professional codes/standards of conduct and declare any real or perceived conflicts of interest.
 - respect and contribute to the legitimate and ethical objectives of the organisation.
 - observe the Standards of Public Life's Seven Principles of Public Life.

8.9 Competency:

8.9.1 Internal Auditors are competent in their role by:

- engaging only in those services for which they have the necessary knowledge, skills and experience.
- performing internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- continually improving their proficiency and effectiveness and quality of their services.

8.9.2 The allocation of audit work to an Internal Auditor is based on consideration of their knowledge, skills and experience and any expression of interest to develop in a particular field/business area. Internal Auditors are encouraged to undertake continuous professional development and opportunities for further development are discussed and agreed during day to day on the job supervision, mentoring, 1:1s and PDR meetings. A training plan is maintained for the Service.

8.9.3 The HoIA maintains a Quality Assessment and Improvement Programme (QAIP) as required by the PSIAS and reports this to each client audit committee on an annual basis.

9. **Access to Relevant Personnel and Information**

9.1 Each member of the Internal Audit Team will carry with them at all times an ID card that clearly shows their responsibilities and authority as auditors. In the fulfilment of their audit duties this entitles them to unrestricted access to all records, assets, personnel and premises belonging to each client organisation. In addition, internal auditors have the authority to obtain such information and explanations as is considered necessary to meet the requirements of the audit activity. Where necessary, such access will be granted on demand and not subject to prior notice.

10. **Scope of Internal Audit Activity**

10.1 The HoIA is responsible for producing an annual report to each client organisation's audit committee providing an opinion on the adequacy and effectiveness of the control, risk / concern management and governance arrangements. Through careful annual audit planning and based on a programme of audit activities of sufficient breadth and depth covering the whole organisation, the HoIA is able to produce such an annual opinion.

10.2 The overall approach is determined by the HoIA and will take into account the level of assurance required, the significance of the objectives of the organisation, the degree of change within the organisation, the prevailing risk appetite and culture, and previous audit findings and implementation of agreed management actions.

10.3 To fulfil the scope of internal audit, the programme of audit activities is usually varied covering assurance work, advice, consultancy, anti-fraud work and irregularity investigations. The types of internal audit work are shown as annexe 1.

10.4 Increasingly, a major contribution to the HoIA's annual opinion is through advisory/consultancy type work where in a more proactive and timelier basis input can be given and assurance obtained regarding the adequacy and effectiveness of the activities of the organisation, e.g. through attendance at key management meetings, steering groups and project and programme boards. This work is also valuable for audit planning and generally ensuring a high level of awareness of the organisation's direction, objectives, pressures and performance.

11. **Internal Audit Planning**

11.1 Setting an annual or periodic risk-based plan is the responsibility of the HoIA. The audit plan is determined through a process of information gathering, reflection, forward looking and above all consultation and engagement with senior management and the Board.

11.2 The following are the key issues in the development of the risk-based audit plan: -

- An understanding of the organisation's vision and ambition, as articulated within the organisation's strategic plans and ensuring that audit coverage is directed and links to these areas of corporate importance.
 - Identification of the significant (key) risks, concerns and issues arising from the above and understanding which areas of service delivery the significant risks impact upon.
 - Internal Audit provides support to management and directs resources to areas where the Service can add value and support change and innovation.
- 11.3 The HoIA will advise senior management and the Board regarding the planned coverage and if/where this is potentially compromised due to limited resources.
- 11.4 Each year the HoIA will set out the planning process and key issues as part of senior management and Board engagement.

12. Reporting

- 12.1 The key output from internal audit activity is a report, a written and formal product to show the outcome from the assignment.
- 12.2 Audit Assignment Reporting
- 12.2.1 In reporting the outcome of individual audit assignments, the lead Internal Auditor will follow a proactive and consultative approach to engage management. The key principles of which are: -
- Advance discussion and agreement of the scope and objectives of audit assignments, the timescales for the completion of the work, and key client / audit contacts along with the recipients of the final audit report.
 - Immediate reporting of any significant or critical issues arising during the course of audit work.
 - Post audit meetings to discuss the conclusion and outcome of audit work on a prioritised basis and to agree management actions and timescales.
 - Any areas of disagreement which are not resolved by discussion are recorded in the action plan and the residual risk highlighted within the report.
 - Providing management with the opportunity to give feedback on the conduct of the work and how valuable and effective they found the audit process and report.
- 12.2.2 The process for the communication of audit work is designed to conform with the PSIAS.
- 12.2.3 Final audit reports will normally include an overall assurance opinion on the adequacy and effectiveness of the system of risk / concern management, controls and governance arrangements. The report will be issued on a timely basis and responses sought monthly from senior management on the implementation of high and medium agreed management actions. The non-receipt of a response will be followed up with the responsible manager, on a quarterly basis with the Executive Director or equivalent and also reported to the Audit Committee.
- 12.2.4 A process has been established with each organisation to ensure the high and medium categorised agreed actions are implemented or that senior management have accepted the risk of not taking action. Internal Audit will in certain circumstances undertake specific further work to obtain direct evidence of management actions having been taken as planned. The implementation of agreed management actions is reported to each audit committee where senior management may be invited to explain any delays in taking action.
- 12.2.5 All low categorised agreed management actions are reported to senior management (i.e. Executive Directors) on a 6-monthly basis. It is management's responsibility to obtain assurance that these have been implemented, and they are required to declare that they have fulfilled this responsibility within the annual declaration which forms part of the Annual Governance Review.

12.3 Reporting of Ad Hoc Advice and Development / Consultancy Work

12.3.1 Internal Audit undertakes a variety of tasks which do not always justify a formal audit report, e.g. responding to one-off queries, advice and consultancy type work given verbally at meetings e.g., projects and developments. Internal Audit does however ensure that details of advice given are recorded by the retention of memos / copy e-mails, or file notes and minutes of meetings. Such records are retained in respect of advice given which is likely to (or intended to) influence management decisions or effect changes in systems and processes. The result of this work is considered as part of the HoIA's overall assurance opinion.

12.3.2 Issues and risks / concerns arising would also be recorded within project and operational risk / concern registers in order to be managed by project lead officers. Details of issues arising would not necessarily be reported separately to the Audit Committee. However, details of the engagement and work undertaken would be recorded within the respective Audit Committee Report and any material issues would be followed up in accordance with the standard reporting and monitoring process.

12.4 Reporting to the Audit Committee

12.4.1 Internal Audit reports as follows: -

- Details of audit plans, performance against plans and against key performance measures, and on significant control or compliance issues arising from audit work, longstanding agreed management actions and management responses, completed projects / advice, unplanned, cancelled or deferred audit work.
- To client Audit Committee's on its performance and on individual audit reports.
- Audit Committees provide a route for the escalation of a failure to respond to audit reports, or the non-implementation of agreed management actions, with the potential for management to be called to answer to the Committee.
- The Audit Committee receives an annual report summarising the outcome of the review of the effectiveness of the internal audit function which is required under the PSIAS.

12.5 Annual Report of the Head of Internal Audit

12.5.1 The annual report to the Audit Committee includes the HoIA's opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk / concern management and control as determined from the programme of work undertaken. The following elements are incorporated into annual audit reports: -

- The HoIA's opinion on the overall effectiveness of the organisation's internal control, risk / concern management and governance environment based on work undertaken.
- Disclosure of any qualification to this opinion, together with the reason for the qualification.
- The disclosure of any impairments or restriction in scope of audit work.
- A summary of the audit work undertaken to provide this opinion, including any reliance placed on assurance work by other bodies.
- Details of any issues that the HoIA judges to be particularly relevant to the AGS.
- A comparison of work actually undertaken with the work originally planned and a summary of the performance of Internal Audit against its performance measures and criteria.
- A statement to confirm work has been completed independently and in accordance with the PSIAS.
- The results of the Quality Assurance Improvement Programme (QAIP).
- Any other issues that the HoIA judges is relevant to the preparation of the AGS.

13. **Quality Assurance**

13.1 Internal Audit is committed to provide a high-quality service to all client organisations and encourages clients to give feedback. A programme of internal quality assurance reviews of completed work are undertaken during the year to provide assurance that these have been undertaken in compliance with PSIAS and operational procedures. All matters relating to the

quality of the function are captured within the Quality Assessment and Improvement Plan (QAIP) which is maintained by the HoIA and reported to each audit committee annually.

14. **Contacts**

The key contacts for the Internal Audit Service are:

Rob Winter CPFA

Head of Internal Audit, Anti-Fraud and Assurance

robwinter@barnsley.gov.uk

07786 525319

Sharon Bradley CMIIA

Audit Manager

sharonbradley@barnsley.gov.uk

07795 305846

The office address is:

Barnsley MBC
Internal Audit Services
Westgate Plaza
Barnsley
S70 9EY

Types of Internal Audit Work

Advice	To meet requests from management for information and guidance on matters of internal control, procedures, compliance with relevant policies etc.
IT Audit	Operational IT audit designed to assess and review the operating procedures supporting key IT policies, environmental controls and input into system developments and new systems.
Information Governance	<p>Work specifically looking at the adequacy and effectiveness of the management, use, control and security of information, compliance with the requirements of data protection legislation as well as internal policies and procedures.</p> <p>Support the Data Protection Officer in undertaking specific compliance reviews in relation to Data Protection legislation.</p>
Regularity	<p>Audit work designed to review and assess compliance with policies and procedures to ensure internal controls exist and are effective.</p> <p>Such work covers the functional areas of services and establishments.</p> <p>Important Internal Audit work to demonstrate presence at an operational level. Work supported by risk based and themed audit work.</p>
Financial Systems	<p>Work designed to assess and review the adequacy of the internal controls within the financial systems of the Organisation. Such work will take the form of either a walkthrough or full compliance audit on a risk-based approach set out in the annual strategy.</p> <p>This work is also considered by External Audit as part of their work on the statutory opinion on the accounts.</p>
Grant Claims	Work necessary to independently verify grant claims as required by the awarding body.
Management Audit (Incl. Corporate items)	<p>Provision for work on corporate procedures and processes. Also incorporates work specifically for management on an advisory basis.</p> <p>These jobs also tend to be of a significant length in terms of Internal Audit days and elapsed time due to their detail and nature.</p>
Anti-Fraud and Investigations	<p>This work, undertaken or led by the Corporate Anti-Fraud Team, focuses on prevention, detection and investigations.</p> <p><u>Prevention</u> work focuses on developing good procedures, policies and guidance for managers and ensuring awareness so that appropriate controls are in place to avoid irregularities.</p> <p><u>Detection</u> work focuses on proactively examining the transactions of the organisation and other information to identify potentially fraudulent activity.</p> <p><u>Investigations</u> work is largely in response to allegations of irregularity being brought to Internal Audit's attention. This work is often extremely sensitive and requires great care, tact, diplomacy and attention to detail. A report to management is most often the output from this work where audit findings</p>

are described along with recommendations regarding potential disciplinary action or referral to the Police, and guidance on improving controls to minimise the risk of such matters arising again.

**Commissioning,
Procurement and
Contract Audit**

Commissioning & Procurement - generally focussed on the policies, procedures and systems in place to identify, assess and deliver a requirement; including compliance with procurement regulations (EU requirements and/or Contract Procedure Rules, Commissioning and Procurement Strategies/Policies).

Contract - this work focuses on the controls within the organisation's contractual policies and procedures to ensure that individual contracts are entered on a timely basis and that these protect the organisation's interests. In addition, that the contract management arrangements are robust, and payments made are appropriate.

**Project
Management**

Work which evaluates the effectiveness of the application of project management principles in order to achieve given outcomes / deliverables.

**Corporate
Governance
Assurance**

Requirements under the Accounts and Audit Regulations mean that all client organisations have to prepare and publish a statement on the overall adequacy of their governance arrangements (annual governance statement).

A key element to providing assurance to the organisation is the work of Internal Audit overall and particularly in the key areas of corporate governance, risk management, performance management and general policy and procedure compliance.

**Audit Committee
Support**

Time is allocated to support the various audit committees. This work involves the provision of reports, guidance and training.

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Subject	Internal Audit Progress Report 2022/23	Status	For Publication
Report to	Audit Committee	Date	28/07/2022
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	Phone	07795 305846
E Mail	SharonBradley@barnsley.gov.uk		

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 1st April to 26th June 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

Background Papers	
Document	Place of Inspection
Background papers and other sources of reference include: Internal Audit Charter 2021-24, Annual Plan 2022-23, 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

28th July 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 2022/23 1st April 2022 to 26th June 2022

Purpose of this report

This report has been prepared to update the Committee on our activity for the period 1st April to 26th June 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 26th June 2022, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 10% of the planned days. The 2022/23 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 26th June 2022 - Plan Days Delivered

2022/23 Plan	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	68.75	68.75	10
Pensions Admin	46.75	46.75	4.2
Authority Wide	91.5	91.5	8.3
Corporate Services	15	15	0
Contingency	5	5	0
Chargeable Planned Days	227	227	22.5

Position as at 26th June 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
Finance	8	2	2	2
Pensions Admin	5	1	1	1
Corporate Services	0	0	0	0
Authority Wide	3	0	0	0
Total	16	3	3	3

Changes to the 2022/23 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 no plan changes during the period.

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		
Financial Management System - PIR	Reasonable	0	1	0	1	1
UPM Payroll	Substantial	0	1	0	1	1
Online Retirement Tool	Substantial	0	0	3	3	3
Total		0	2	3	5	5

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.
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
Authority Wide: DPIAs (Advisory)		✓	
Authority Wide: Retention Policy (Advisory)		✓	
Authority Wide: Risk Management		✓	
Authority Wide: Procurement Compliance	✓		
Authority Wide: Programme/Project Management (Advisory)	✓		
Authority Wide: Management Information / Reporting (Advisory)	✓		
Pensions Admin: Annual Benefits Statement	✓		

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
High	1	1	0	0
Medium	17	5	12	0
TOTAL	18	6	12	0

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 2022/23 (Quarter 1)

The Internal Audit's performance against a number of indicators is not yet due for quarter one of 2022-23. The quarter four performance information relating to 2021-22 is included within the Head of Internal Audit's Annual report, which is also included on the Committee meeting agenda.

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	Internal 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
POSITIVE OPINIONS	Substantial	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable	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.
NEGATIVE OPINIONS	Limited	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.
	None	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.

Page 256



Subject	Progress Update on Actions Arising from Audit Reviews	Status	For Publication
Report to	Audit Committee	Date	28/07/2022
Report of	Head of Finance and Corporate Services		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Annie Palmer Governance & Risk Officer	Phone	01226 666404
E Mail	APalmer@sypa.org.uk		

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

Background Papers	
Document	Place of Inspection
None	-

Progress Updates on Actions Agreed from Internal Audit Reviews

Audit Review Title	Report Issued Date	Implication / Agreed Actions	Progress Update	Officer Responsible and Timescale
HR Governance - Policies and Procedures	22/01/2020	Ensure the 3-year policy review programme is completed.	Good progress has been made in this area. There remains just a small number of out-of-date policies that, although legislatively correct, need refreshing to reflect current posts and titles etc. In addition, HR are currently working on new Induction and Wellbeing policies that are big pieces of work.	HR Business Partner & SMT Revised to October 2022
HR Governance - Training Programme	22/01/2020	Implement a corporate approach to the management of training and development.	As reported previously, this is an ongoing piece of work which is now reflected in the HR Strategy 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. Further update to be provided early August 2022.	HR Business Partner & SMT Revised to August 22
HR Governance - Workflow / Reminders	20/12/2021	Review and streamline workflow process, enabling a central system that will prompt appraisers of the annual timelines. To be a key part of the system specification for the new HR system.	All line managers have been briefed on requirement to complete the annual appraisals between April and end of June as a target date - to be cascaded whereby managers have their appraisals first, and then they carry out appraisals for their direct reports. Central completion list has been set up on SharePoint for managers to record when appraisals completed and this is currently being actively monitored by HR and reminders sent out as required.	Head of Finance and Corporate Services June 2022

Progress Update on Agreed Management Actions

Audit Review Title	Report Issued Date	Implication / Agreed Actions	Progress Update	Officer Responsible and Timescale
Procurement Insurance - Legislative and Regulatory Compliance	29/10/2020	Procurement training will be delivered to key officers of the Authority to increase awareness of and to facilitate compliance with the requirements of the PCRs and Authority CSOs. A filing system and a collaboration platform will be utilised for procurement activity moving forward to allow for the sharing and review of documentation between all relevant stakeholders aligned to the process flows / requirements of Authority CSOs.	Initial Gateway approval document has been drafted which will form the basis of the key officer procurement training. Likely to be commissioned from CIPFA Procurement Network and delivered in September 2022. Therefore, progress has been, and continues to be made but due to the continuing pressure from other projects, it has not been possible to complete the actions fully to the original planned timescale.	Director, and Head of Finance and Corporate Services Revised to September 2022
Information Governance - Records Management / Document Retention Policy	18/08/2020	A more detailed Records Management/Document Retention Policy will therefore be developed and will include a review of the current wording of the Privacy Notice to ensure consistency with the new Policy.	Access to BMBC templates has now been agreed and work to map out the policy and procedure structure will take place over the summer. Alongside this, options are being reviewed to look to implementing new systems to manage corporate performance which may include compliance modules to assist in areas such as Information Governance. The policy review is planned to be completed by September 2022, however the overall review of the detailed records management system is a bigger piece of work and unlikely to be completed before January 2023.	Head of Pensions Administration Revised to January 2023
Information Governance - Action Plan	18/08/2020	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 in relation to system. The process maps require a full review and potential change of format to avoid duplication of information held across the organisation. In view of this and the potential of a new management system, target date revised to January 2023.	Head of Pensions Administration Revised to January 2023
DPO Survey – GDPR Staff Awareness	2020	Staff Awareness in regards to individual roles and responsibilities regarding GDPR requirements.	Staff will be directed to undertake BMBC Bold platform training, to be commenced during July 2022. Target ate revised to September 2022 to allow for all staff to complete, taking into account annual summer leave.	Head of Pensions Admin Revised to September 2022

Progress Update on Agreed Management Actions

Audit Review Title	Report Issued Date	Implication / Agreed Actions	Progress Update	Officer Responsible and Timescale
Pensions Review Process Child Pensions - SMT Reports	2021	New reporting procedures for the child review process to ensure appropriate reporting to SMT on the results.	Child review process monitoring will be complete by 30 June 2022, with a view to being presented to members at next available Local Pension Board meeting.	Benefits Team Manager Revised to 30 June 2022
Pensions Review Process Child Pensions - Members Registered with Long Term Illness and/or Disabilities	2021	A full review of children's pensions in payment due to disability is underway by the Benefits Team Manager (BTM). Although this will be conducted as a full review, the primary focus will be on whether the bank details held for all child beneficiaries are appropriate, together with the level of approval sought on all disability pensions in payment. This will involve a manual review all child beneficiary member files and addressing any approval requirements with the HoPA, where necessary.	Child review process monitoring will be complete by 30 June 2022, with a view to being presented to members at next available Local Pension Board meeting.	Head of Pensions Administration, Benefits Team Manager Revised to 30 June 2022
Online Retirement Tool - Added Voluntary Contributions	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.	SYPA have instructed Barnett Waddingham LLP to undertake a review of the AVC provisions. This is due to be completed by the end of Quarter 2 2022/23. It is expected the results will be put forward to the Pensions Authority following the conclusion of this review.	Benefits Team Manager Revised to July 2022
Accounts Receivable	11/03/2021	Lack of a formal debt recovery procedure may result in uncertainty of roles, responsibilities, inconsistencies, etc.	The new finance system was implemented from 01/12/2021, slightly later than anticipated, and since this date we have been working on bringing the system up to date and the backlog of work caused by the system implementation. Part of the implementation involves familiarisation with the enhanced debt recovery functionality the system provides, including automation of reminders and more detailed analysis of the outstanding debts to improve reporting. We are currently producing the initial debt recovery procedure in relation to the first stages of recovery, and will shortly be moving on to formalising the remainder of the debt recovery process.	Financial Services Manager Revised to September 2022

Progress Update on Agreed Management Actions

Audit Review Title	Report Issued Date	Implication / Agreed Actions	Progress Update	Officer Responsible and Timescale
Investment Income - Operational Procedures	15/03/2022	New operational procedure manuals to be produced for Investment Income following change of system from ICON to Shareholder.	The team working on transactions on Shareholder have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will document new procedure manuals for Shareholder for future use. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by September 2022; and regularly reviewed thereafter.	Financial Services Manager September 2022
Main Accounting - Operational Procedures	23/03/2022	New operational procedure manuals to be produced for Main Accounting following change of system from Integra to Advanced Financials.	The team working on the Advanced Financials system have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will now document the new procedure manuals for General Ledger, Bank Reconciliations, and Systems Access. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by 31st December 2022; and regularly reviewed thereafter.	Financial Services Manager September 2022
Accounts Payable - Operational Procedures	24/03/2022	New operational procedure manuals to be produced for Accounts Payable following change of system.	The team working on Accounts Payable on Advanced Financials have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will now complete the documentation of new procedure manuals for all the relevant accounts payable processes. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by 30th September 2022; and regularly reviewed thereafter.	Financial Services Manager September 2022
Financial Management System Post Implementation Review - Operational Procedures	03/05/2022	New operational procedure manuals to be produced for Accounts Receivable following change of system.	The team working on Accounts Receivable on Advanced Financials have all been fully trained and briefed and were involved in developing the procedures being used, along with keeping notes. These officers will now complete the documentation of new procedure manuals for all the relevant Accounts Receivable processes. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager by 31st December 2022; and regularly reviewed thereafter.	Financial Services Manager December 2022

Progress Update on Agreed Management Actions

Audit Review Title	Report Issued Date	Implication / Agreed Actions	Progress Update	Officer Responsible and Timescale
Pensions Administration System - Action Logs		Failure to maintain an accurate and up to date Action Log, including the detailed actions required, by whom and when may result in a lack of clarity with regards to the actions required and a lack of a framework upon which these can be managed / monitored.	<p>Monthly Account meetings and regular Technical Groups have been operating for some time and are minuted. Initiated by SYPA and Cheshire Pension Fund, a new Strategic LGPS Meeting consisting of all LGPS Pension Manager clients and senior Civica representatives is being set up and Terms of Reference have been provisionally agreed. The first meeting is scheduled for 26th May 2022 (with a pre-meet solely for LGPS Managers at the end of April) – This action has been completed.</p> <p>The meetings will have a focus on current service performance (and resolution) as well as product and service development and will be held twice-yearly and chaired and minuted by Civica. Actions arising will be published for the benefit of all LGPS Pension Manager clients. This will be reviewed at the end of December 2022.</p>	<p>Head of Pensions Administration / Pensions Systems Manager</p> <p>December 2022</p>

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