

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, 20 October 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
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Distribution

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

Contact Details

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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, 20 OCTOBER 2022 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT,
PONTEFRACT ROAD, BARNLSLEY, 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 28/07/2022	5 - 10
7.	Internal Audit Progress Report	11 - 20
8.	Internal Audit Effectiveness	21 - 30
9.	External Audit Annual Report	31 - 52
10.	External Audit ISA 260 Report	53 - 86
11.	External Audit Appointment Update	Verbal Report
12.	Progress Update on Agreed Management Actions from Audit Review Findings	87 - 94
13.	Annual Review of Risk Management Framework	95 - 112
14.	Annual Review of Governance Compliance Statement	To Follow

SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

28 JULY 2022

PRESENT: Councillor G Weatherall (Chair)

Councillors: S Clement-Jones, S Cox, M Havard and D Nevett

Trade Unions: N Doolan-Hamer (Unison), D Patterson (Unite) and G Warwick (GMB)

Officers: J Garrison (Corporate Manager - Governance), W Goddard (Financial Services Manager), G Graham (Director), G Richards (Governance Officer), G Taberner (Head of Finance and Corporate Services), S Bradley (Audit Manager) and R Winter (Head of Internal Audit)

N Wright (External Audit Partner Deloitte)

Apologies for absence were received from Councillor R Bowser

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 3 MARCH 2022

RESOLVED – That the minutes of the meeting held on 3 March 2022 be agreed as a true record.

7 EXTERNAL AUDITORS ANNUAL REPORT

N Wright presented the External Auditor's Annual report for the 2021/22 audit of South Yorkshire Pensions Authority and South Yorkshire Pension Fund.

She thanked G Taberner, W Goddard and the Team for their support and co-operation.

The Committee was informed that the audit work was currently ongoing, the processes still to be completed were detailed in Appendix 2.

It was noted that as the Russian invasion of Ukraine was impacting global financial markets the auditors had reviewed the impact of the event during the course of their audit with a focus on valuation and liquidity risk, reputational risk and disclosure. The auditors were satisfied that the impact on the Fund and any exposure to those investments was minor in nature.

With regard to materiality for the Fund, this was set at £106.7m (£98.6m in 2021). This was based on the 31st March 2022 revised draft financial statements.

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

- Valuation of directly held commercial property (offices, retail and hotels) – Fund
- Management override of controls – Fund & Authority

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

Members note that the areas of audit focus had been:

- Completeness and accuracy of contributions – Fund
- Completeness of investment transactions and valuation of alternatives – Fund
- Valuation of directly held agricultural and commercial property not held in offices, retail and hotels – Fund
- Completeness of transfer following the migration of accounting system to Advanced Financials – Fund and Authority
- Valuation of pension liability – Authority
- Value for Money – Authority

In all completed areas no major issues had been identified.

RESOLVED – That the report be noted.

8 LETTER OF REPRESENTATION

W Goddard presented a report which sought Members' approval of the Treasurer's formal letter to the Auditor giving representations regarding information in the Statement of Accounts for 2021/22.

It was noted that the Letter or Representation would 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.

The draft Letter of Representation was attached at Appendix A. It was noted that the audit work was still in progress and therefore the letter was subject to change.

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

9 APPROVAL OF THE STATEMENT OF ACCOUNTS 2021/22

A report was considered which sought approval of the Statement of Accounts for 2021/22.

W Goddard informed members that the draft Statement of Accounts 2021/22 was authorised for issue on 23rd June 2022 which was ahead of the statutory deadline as outlined in the report.

The audit was well progressed and on schedule to finalised in line with the planned timescales set out in paragraph 5.5 of the report.

It was noted that during the course of the audit a small number of amendments to the accounts had been agreed, these were detailed within the report. The amended, audited Statement of Accounts was attached as an appendix to the report.

W Goddard informed members that, since the report was written, there had been a change to note 23 regarding leases in the Authority's accounts; this would be amended after the meeting.

RESOLVED – That members:

- i) Approve the Statement of Accounts 2021/22.
- ii) Authorise the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Authority.

10 ANNUAL REPORT 2021/22

G Graham presented the draft Annual Report to the Committee which was set out at Appendix A.

Members were informed that, unfortunately, the Annual Report was not complete and only limited proof reading had been possible. The covering report gave details of the key gaps which were greyed out in the report.

It was noted that in addition to the consistency work by the Auditors, it was proposed to seek an external review of the way the document demonstrated compliance with the Stewardship Code to make sure that no items had been missed.

RESOLVED – That members:

- i) Approve the draft Annual Report as circulated.
- ii) Note that further work was required to incorporate information not yet available and to allow an external assessment of compliance with the Stewardship Code before final publication which would require some additions and amendments.
- iii) Delegate authority to the Chair of the Committee to authorise publication of the final version once those procedures and the external audit had been completed.

11 INTERNAL AUDIT ANNUAL REPORT 2021/22

A report was submitted which detailed 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.

Members were reminded that the Audit Committee had received quarterly reports throughout the audit year; in each of these reports a reasonable assurance opinion had been given.

Taking the whole year into account it was appropriate for the Head of Internal Audit to give an overall reasonable (positive) assurance opinion for the year.

The report contained details of the delivery of the internal audit planned days for 2021/22 with a breakdown of Service Area and also the number of planned assignments for the 2021-22 planned days and those completed at the time of writing the report.

It was noted that four reviews were deferred into 2022-23, these were Procurement Compliance, Post Implementation of the Financial Management System, the Pensions Administration System and a Business Continuity Planning review.

R Winter informed the Committee that Internal Audit had 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, all of which had received a positive opinion.

The Head of Internal Audit commented that the Committee could be assured of the openness and honesty from Management and there were no issues regarding access to information. There were also no concerns over updates to agreed management actions.

The Committee discussed the reasons for changes to the Plan during the year which included the knock-on effect of Covid and other workload pressures and also the importance of realistic completion date for agreed management actions.

RESOLVED – That members note the Internal Audit Annual Report.

12 INTERNAL AUDIT CHARTER 2021-24

A report was submitted which presented the Internal Audit Charter (attached at appendix A) for approval as required by the Public Sector Internal Audit Standards.

S Bradley commented that it was good practice to review the Charter periodically to ensure it reflected how the function operated and to ensure the requirements and provisions of the PSIAS were adequately covered. It was noted that no changes were required; the Charter represented how Internal Audit operates.

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

13 INTERNAL AUDIT PROGRESS REPORT

S Bradley presented a report which provided a summary of the Internal Audit activity completed, and the key issues arising from it from 1st April 2022 to 26th June 2022.

A table within the report showed the progress of the Internal Audit Plan analysed by the number of plan assignments and audit days delivered.

It was noted, to date, 10% of planned days had been delivered. The 2022/23 Plan (as in previous years) was profiled more heavily towards the end of the financial year and Internal Audit had profiled resources accordingly.

Three reports had been issued during the period, all of which had received a positive assurance opinion. The report gave details of these along with other internal work undertaken. It was noted that there had been no changes to the Plan during the period.

RESOLVED – That the report be noted.

14 PROGRESS UPDATE ON ACTIONS ARISING FROM AUDIT REVIEWS

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

G Taberner informed members that the new Governance Team was now in place and in future Annie Palmer, the Governance and Risk Officer, would be presenting the report.

N Doolan-Hamer asked about progress of the new Wellbeing policy and changes to the induction process.

G Taberner replied that this included monthly updates from Westfield Health, webinars and training on several topics, menopause awareness, fresh fruit weekly and free flu vaccinations for staff.

Westfield had provided individual health assessments in March and another session would be held in September.

G Graham informed members that the aim was also to improve the quality of the induction process for staff and make it less labour intensive for HR colleagues using all available tools the Authority had access to.

N Doolan-Hamer suggested that the policy should be shared with the larger employers once completed as an example of good practice.

G Taberner agreed that it could be shared with members.

RESOLVED – That the report be noted.

CHAIR

Subject	Internal Audit Progress Report 2022/23	Status	For Publication
Report to	Audit Committee	Date	20/10/2022
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 27th June to 30th September 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

20th October 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 27th June to 30th September 2022

Purpose of this report

This report has been prepared to update the Committee on our activity for the period 27th June to 30th September 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 30th September 2022, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 32% 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 30th September 2022 - Plan Days Delivered

2022/23 Plan	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	68.75	68.75	13.8
Pensions Admin	46.75	55.75	7.2
Authority Wide	91.5	81.5	23.6
Corporate Services	15	15	0
Contingency	5	6	0
Chargeable Planned Days	227	227	44.6

Position as at 30th September 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	0	0	2
Pensions Admin	5	0	0	1
Corporate Services	0	0	0	0
Authority Wide	2	1	1	1
Total	16	1	1	4

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 two plan changes during the period. A review of the Business Continuity Arrangements has been

deferred into 2023-24 and an unplanned review of the End to End Interfund Processes incorporated into the plan.

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		
Risk Management	Reasonable	0	1	2	3	3
Total						

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
Finance: Transfer Values		✓	
Finance: Verification of Assets		✓	
Finance: Treasury Management		✓	
Pensions Admin: Annual Benefits Statement		✓	
Pensions Admin: Pensions Savings Statement		✓	
Finance: Main Accounting	✓		
Finance: Accounts Receivable	✓		
Authority Wide: Procurement Compliance	✓		
Authority Wide: Programme/Project Management (Advisory)	✓		

Pensions Admin: End to End Interfund Process	✓		
Pensions Admin: DPO Assurance (Advisory)	✓		

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	0	0	0	0
Medium	5	1	4	0
TOTAL	5	1	4	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)

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

Ref.	Indicator	Frequency of Report	Target 2022/23	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	72%	72%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	1.06 days	1.06 days
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%

Ref.	Indicator	Frequency of Report	Target 2022/23	This Period	Year to Date
4.	Financial Perspective:	Quarterly	Within budget	Yes	Yes
4.1	Total Internal Audit costs v budget.				

Performance indicator definitions and supporting information

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

Head of Internal Audit’s Assurance Opinion

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

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

Audit Contacts

Contact	Title	Contact Details
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
Page 19	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.

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Subject	Annual Review of the Effectiveness of Internal Audit	Status	For Publication
Report to	Audit Committee	Date	20/10/2022
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 paper is to inform the Committee of the current position in terms of implementation of the agreed actions reported to the Committee at its October 2021 meeting, following the External Quality Assessment (EQA) undertaken by CIPFA in July 2021. The requirement to have an EQA and to maintain a Quality Assurance and Improvement Programme (QAIP) for the Internal Audit function is required by the Public Sector Internal Audit Standards 2017 (PSIAS).

2 Recommendation

- 2.1 **Members consider and assess the proposed QAIP Framework which sets out how it will meet the requirements set out in the PSIAS.**
- 2.2 **That the Committee receives an annual update report on the delivery of the QAIP.**

3 Background Information

- 3.1 Revised Public Sector Internal Audit Standards (PSIAS) came into effect from April 2017. Within those standards is the requirement for the Head of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP).
- 3.2 The particular standard in the PSIAS is 1300 - *Quality Assurance and Improvement Programme*. This states that:

“The Head of Internal Audit must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity”.

Guidance in relation to this states that:

“A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Head of Internal Audit should encourage [Audit Committee] oversight in the quality assurance and improvement programme”.

- 3.3 Whilst the 2017 PSIAS formalised this as a specific requirement, previous Internal Audit standards and professional requirements ensured that Heads of Internal Audit had effective quality assurance arrangements in place. This incorporated the duty to undertake an annual self-assessment and an independent external assessment against the PSIAS once every five years. An independent external assessment was undertaken during 2021 and reported to the Audit Committee in October 2021. This assessment confirmed that the Internal Audit function was in full conformance with the PSIAS.
- 3.4 It is important for the Internal Audit Team and client organisations that the requirements of professional standards are met and are seen to be met. A framework has been developed to ensure all aspects of the PSIAS are considered and factored into how the Internal Audit function is resourced, managed, how audit work is identified and delivered, and that personal professional standards are met.
- 3.5 The extract from the PSIAS covering the QAIP is attached as Appendix 1. Note that the PSIAS refers to the *chief audit executive* as a generic term for the officer responsible for the Internal Audit function. The job title 'Head of Internal Audit' is most commonly used in the public sector. Also, the term '*board*' is used which in the public sector context is the audit committee. CIPFA have produced a Local Government Application Note (LGAN) to provide guidance to ensure consistency in how the PSIAS are interpreted specifically in a local government context.
- 3.6 The key framework of the QAIP are shown in the table below. A more detailed analysis of the PSIAS is shown at Appendix 2 alongside the actions being undertaken or planned below.

Key Standard 1300 Requirements	Action / Current Position
<i>Internal Assessments:</i>	
Ongoing monitoring of the performance of the internal audit activity.	Processes are in place as part of audit management arrangements.
Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.	An EQA was undertaken during 2021 and this included the Assessor circulating and collating the responses from a number of key IA clients (BMBC and external).
<i>External Assessments:</i>	
External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.	An EQA was undertaken during 2021.
<i>Reporting on the Quality Assurance and Improvement Programme:</i>	
The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.	Internal Audit report to SMT at its quarterly performance meeting. Reported to the Committee at its September 2021 meeting and this report is providing an updated position.
<i>Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing":</i>	
Indicating that the internal audit activity conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> is	The EQA undertaken in 2021 confirmed full compliance.

Key Standard 1300 Requirements	Action / Current Position
appropriate only if supported by the results of the quality assurance and improvement programme.	
Disclosure of Non-conformance:	
When non-conformance with the <i>Code of Ethics</i> or the <i>Standards</i> impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.	Not applicable – the EQA confirmed full compliance.

- 3.7 In order to ensure continuous improvement and focus on quality and conformance, the Internal Audit Manager has been designated the responsibility to maintain and manage the QAIP and general quality process. The Action Plan is updated and discussed with the Head of Internal Audit, Anti-Fraud and Assurance on a quarterly basis.
- 3.8 Since the previous QAIP/EQA report in October 2021, there are a number of continuous improvement related activities that have been completed. These include:
- a) The annual report for each client organisation now includes a separate annual assurance opinion for the governance, risk and control elements;
 - b) The Terms of Reference template has been updated to confirm the circulation list for draft and final reports;
 - c) The requirement to have a framework upon which an IT specialist auditor could be commissioned has been considered. There is not requirement for a specialist IT auditor within the current financial year plans, but this will be kept under review;
 - d) A re-structure of the service was implemented on 1st June 2022. This provides for succession planning, should key officers leave the organisation.
- 3.9 In addition to the above, the following actions are undertaken on an annual basis (and then as and when required during the financial year):-
- a) Each member of the team completes an annual declaration of interests form, to identify any potential areas of conflict for which they will not be assigned Internal Audit work. This is a Code of Conduct and PSIAS requirement, to demonstrate Internal Audit's continued independence and objectivity.
 - b) Each member of the team has a Personal Development Review on an annual basis, with learning and development opportunities identified being monitored on a 6 monthly basis (mid year PDR) and 1:1 meetings that are scheduled every 2 months.
- 3.10 Clearly, ensuring an internal audit function meets all its professional standards is vitally important to provide client organisations with the best possible service. However, faced with increasing pressure on audit days it is equally essential to balance the input of resources to manage quality and professional standards compliance against actually delivering the audit function. A key role of the Head of Internal Audit, Anti-Fraud and Assurance and the Internal Audit Manager is to constantly review this balance.

4. List of Appendices

- Appendix 1 - Public Sector Internal Audit Standards - Extract
- Appendix 2 - Updated QAIP Action Plan

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

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PUBLIC SECTOR INTERNAL AUDIT STANDARDS - EXTRACT

1300 Quality Assurance and Improvement Programme

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme.

1310 Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments.

1311 Internal Assessments

Internal assessments must include:

Ongoing monitoring of the performance of the internal audit activity.

Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the *Code of Ethics* and the *Standards*.

Periodic assessments are conducted to evaluate conformance with the *Code of Ethics* and the *Standards*.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

The form of external assessments.

The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the *Code of Ethics* and the *Standards*; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can

be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.

Public sector requirement

The chief audit executive must agree the scope of external assessments with an appropriate sponsor, e.g. the accounting/accountable officer or chair of the audit committee as well as with the external assessor or assessment team.

1320 Reporting on the Quality Assurance and Improvement Programme

The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board. Disclosure should include:

The scope and frequency of both the internal and external assessments.

The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.

Conclusions of assessors.

Corrective action plans.

Interpretation:

The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

1321 Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"

Indicating that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* is appropriate only if supported by the results of the quality assurance and improvement programme.

Interpretation:

The internal audit activity conforms with the *Code of Ethics* and the *Standards* when it achieves the outcomes described therein. The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 Disclosure of Non-conformance

When non-conformance with the *Code of Ethics* or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.

Public sector requirement

Such non-conformances must be highlighted by the chief audit executive to be considered for inclusion in the governance statement.

Action Plan

	Continuous Improvement Area	EQA Rationale / Action	Priority	Lead Officer	Timescale	Current Status
1	HolA Annual Report	“The Head of Internal Audit, Anti-Fraud and Assurance’s annual opinion currently refers to providing assurance on the overall control framework, whereas the standards require the opinion to specifically provide an opinion on the control, risk and governance frameworks. To enhance conformance with the standards, the annual opinion should be revised to include all three elements.”	Medium	HolA	For all client 2021/22 reports	Completed
2	Audit Reviews - Terms of Reference	“The engagement terms of reference include a section entitled key contacts and lists the people from the client and Barnsley Internal Audit service that will be involved in the audit process. The standards expect the terms of reference to include an initial distribution list for the draft audit reports and this is not currently included. In practice this tends to be the client key contacts. To enhance conformance with the standards, the list of key contacts for the client should also be designated as the initial recipients of the draft audit report.”	Low	Internal Audit Manager	1 st July 2021	Completed
3	IT Specialist Auditor	“The Service does not have any qualified specialist IT auditors in its establishment, preferring instead to obtain these from external suppliers when required. However, there is no set arrangement in place with any supplier meaning the HolA has to go through a procurement exercise each time resources are required. To speed up this process, it is suggested that consideration is given to setting up a call off contract with a suitable supplier for IT audit resources.”	Advisory	HolA	31 st December 2021	Completed – considered following annual plan consultation. Concluded no specialist IA Auditor required at this time but will keep under review.

	Continuous Improvement Area	EQA Rationale / Action	Priority	Lead Officer	Timescale	Current Status
4	Data Analytics	“The Council is developing its own data analytics processes, but it is likely to be some time before this is fully functional and as such the Head of Audit, Anti-fraud and Risk should consider obtaining a suitable application as an interim measure. There are a number of applications on the market that can be considered. BIAS is aware of the benefits achievable from developing their data analytics capability and have already explored the development of Power BI. However, until this is developed, suggest exploring the functionality available in the specialist applications on the market.”	Advisory	HoIA	31 st December 2021	Partially Completed – Explored specialist applications on the market and researched via CIPFA, IIA and similar IA services. Concluded the best option is Excel (most IA Services contacted are utilising this option). Currently exploring options for enhanced Excel training for the IA Team now all posts have been filled. Revised – 31 st October 2022
5	Structure and Succession Planning	“The Service is currently [June 2021] carrying a few vacancies which it plans to fill in the near future following a minor restructure of the Service. Suggest that the Head of Internal Audit, Anti-Fraud and Assurance takes the opportunity presented by the planned restructure to ensure that there is adequate succession planning in place for the key posts. This should ensure the Service can continue to operate should they lose one or more key employees.”	Advisory	HoIA	31 st March 2022	Completed – revised structure was implemented on 1 st June 2022.
6	Dissemination of Information	“Once the review of the internal audit pages on the Council’s intranet is complete, the Service should consider using the intranet as a means of disseminating briefings to officers on topics such as good practice found during audits that could be adopted by other units in the organisation, or emerging risks that may have a wider impact on services that are peripheral to the services likely to be effected by the risk.”	Advisory	HoIA	31 st October 2021	Partially Completed – developing the good practice areas to disseminate following full implementation of re-structure. Revised – 31 st October 2022

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Subject	External Auditor's Annual Report	Status	For Publication
Report to	Audit Committee	Date	20/10/2022
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	Phone	01226 666420
E Mail	GTaberner@sypa.org.uk		

1 **Purpose of the Report**

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

2 **Recommendations**

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

3 **Link to Corporate Objectives**

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

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

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

4 **Implications for the Corporate Risk Register**

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

5 **Background and Options**

- 5.1 Each year the Authority’s external auditor issues a number of reports on various elements of their work, such as the final accounts. These are all summarised in the Annual Report, which is attached at Appendix A. Good practice and transparency, which will ultimately be reinforced by regulation, dictate that this report should be publicly considered by the equivalent of Full Council (in the case of SYPA the Full Authority). However, given this Committee’s remit, it makes sense for it to consider the matter before the Authority does so that the Authority can also consider any comments.
- 5.2 Deloitte will present their annual report attached at Appendix A and respond to any questions the Committee may have. However, the key messages for the Committee are on page 3 of the report, which indicates that the various aspects of the audit including the financial statements received a “clean” report and the auditor did not make any use of their statutory powers. The report also includes the full results of the Value for Money work undertaken by Deloitte in support of the new approach to this area set out in the Code of Audit Practice. This makes no specific recommendations and generally identifies that the Authority has the expected arrangements in place
- 5.3 Also attached, at Appendix B, is the final report of the external auditor on the audit of the financial statements for the 2021/22 year. Members will recall that they considered an earlier version of this report at their July meeting when some aspects of the audit work were yet to be concluded. The audit work was completed and the audited accounts signed off on 7 September. The report attached at Appendix B reflects the final status of the audit and provides an update in regard to audit fees on page 31 of the report.

6 Implications

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

Financial	No additional financial implications, the fees for the external audit can be met from existing budgets; including the additional fees proposed subject to approval by Public Sector Audit Appointments (PSAA) Limited.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Neil Copley

Gillian Taberner

Treasurer

Head of Finance & Corporate Services

Background Papers	
Document	Place of Inspection
None	-



South Yorkshire Pensions Authority

Auditor's Annual Report 2021/22

10 October 2022

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Key messages

Audit opinion on the financial statements

We issued an unqualified opinion on the Authority and Fund's financial statements on 7 September 2022.

The Authority's arrangements to secure Value for Money

Financial Sustainability

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

- The Authority recognised a deficit on the provision of services for the year ended 31 March 2022 of £193,000.
 - The Authority has a thorough annual financial planning and forecasting process and has set out a balanced Medium Term Financial Strategy from 2021/22 to 2023/24.
 - The Authority reports the financial position on a quarterly basis which includes an analysis of the actual expenditure incurred compared to budget.
-

Governance

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

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

Improving economy, efficiency and effectiveness

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

- The Authority assesses its performance through quarterly Corporate Performance Reports, which consider a number of measures, covering corporate, investment, pension administration and financial matters.
- The Authority also engages with CEM benchmarking, an external company, to perform benchmarking reviews on an ad hoc basis to identify areas for improvement. The most recent review performed was an investment cost effectiveness analysis undertaken in March 2021.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at South Yorkshire Pensions Authority ("the Authority") for the year ended 31 March 2022.

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

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

A key element of this report is our commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources. Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Authority has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Authority has in place, nor does it provide positive assurance that the Authority is delivering or represents value for money.

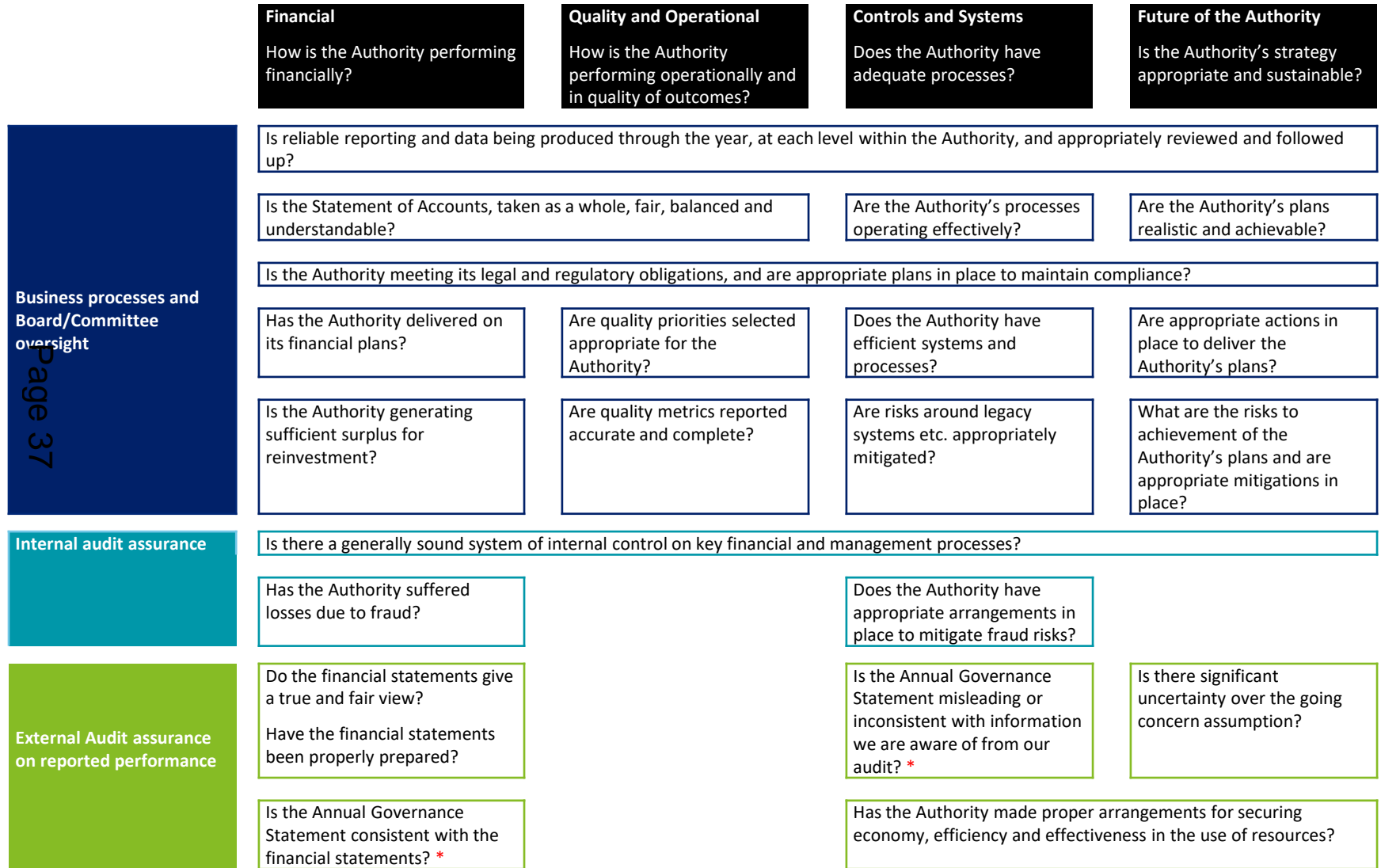
Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Council's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03 where we identify a significant weakness; or
- Other recommendations, which we have indicated as "Deloitte Insights" .

We have not identified any significant weaknesses in the Authority's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Authority

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



Opinion on the financial statements

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

- Give a true and fair view of the financial position of the Authority and Fund at 31 March 2022 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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

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

Audit opinion on the financial statements	We issued an unqualified opinion on the Authority's financial statements on 7 September 2022. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
Annual Governance Statement	We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the CIPFA Code of Practice, was misleading, or was inconsistent with information of which we are aware from our audit.
Narrative report	We are satisfied that the information given in the narrative report for the year ended 31 March 2022 is consistent with the financial statements.
Reports in the public interest and use of other powers	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2022.
Audit Certificate	We will certify completion of the audit following completion of our responsibilities in respect of the audit for the year ended 31 March 2022. We have not yet concluded our work on the consistency of the Pension Fund Annual Report.

Our financial statement audit approach

An overview of the scope of the audit

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

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

Materiality

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

Based on our professional judgement, we determined materiality for the Authority to be £127k, on the basis of 2% of expenditure. We set materiality for the Fund as £106,700k, on the basis of 1% of net assets.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £6k for the Authority and £5.3m for the Fund as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Authority's financial statements

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

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

Approach to audit risks

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

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

Financial statement audit significant risk

Risk identified	Deloitte response	Key observations
<p>Management override of controls – Authority and Fund</p> <p>In accordance with auditing standards, management override is a significant risk due to fraud. This risk area includes the potential for management to use their judgement to influence the financial statements.</p>	<p>We performed a number of procedures including:</p> <ul style="list-style-type: none"> • We tested the design and implementation of key controls in place around journal entries and accounting estimates; • We substantively tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • We ensured that there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year; • We 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; and • We reviewed the accounting estimates for bias, that could result in material misstatement due to fraud 	<p>No issues were identified through this testing.</p>
<p>Valuation of directly held property – Fund</p> <p>The valuation of these properties is based on assumptions. Due to the specialist nature of this investment type the valuation is more challenging for us to assess as auditor and requires specialist involvement.</p>	<p>We performed a number of procedures including:</p> <ul style="list-style-type: none"> • We assessed the design and implementation of controls around the valuation of direct properties; • We assessed the reliability, competence and capabilities of the external valuer; • We vouched the Fund financial statements to the direct third party confirmation provided by the external valuer, including an assessment of post balance sheet events and the impact on the valuation of direct property; and • We utilised our internal valuation specialists to risk profile the property portfolio to assess whether there were properties of audit interest and assessed the appropriateness of the methodology and assumptions used by the external valuer in the valuation of a sample of properties held in the office, retail and hotel sectors. 	<p>No issues were identified through this testing.</p>

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

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

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

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

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

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

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around the Authority's arrangements, and events occurring outside of the Authority's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2021/22 in assessing whether they are indicative of a risk of significant weakness.

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



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



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



Reviewing reports from third parties including internal audit.



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



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

VfM arrangements: Financial Sustainability

Approach and considerations

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

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

Commentary

The Authority recognised a deficit on the provision of services for the year of £193,000. At 31 March 2022, the Authority had net liabilities of £8.5m (31 March 2021: £12.2m), net current assets of £0.4m (31 March 2021: £1.6m), and cash of £0.7m (31 March 2021: £0.4m). The net liability position is driven by the pensions liability and therefore is not considered a significant risk because the pension liability is not reflective of a risk the Authority is going to run out of cash as it is an accounting figure based on various assumptions and is a long term liability which they have a deficit plan to fund over time. The Authority's useable reserves have decreased by £1.1m to £0.5m. This was a planned use of earmarked reserves which had been set aside to fund the Oakwell House Refurbishment project.

The Authority has a thorough annual financial planning and forecasting process. The financial plan is considered as part of the overall operational planning process and this process is lead by the Director and the Head of Finance and Corporate Services. The Authority has a balanced Medium Term Financial Strategy for 2021/22 to 2023/24. In preparing the 2021/22 budget, the Authority has performed a full review of the base budget due to the significant changes that have occurred over the previous two years. This involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget. The 2021/22 budget is linked to the corporate objectives and has been prepared to ensure the Authority has sufficient resources to deliver services.

VfM arrangements: Financial Sustainability – continued

Commentary

Due to the nature of the Authority, the expenditure incurred is funded by the Pension Fund in accordance with regulations. The Authority is, therefore, less exposed to the wider constraints on the public sector financial environment. As such, there is no funding gap or savings plans to consider. The Pension Fund is currently in surplus and has net assets of £10bn and therefore has sufficient resources to fund the expenditure of the Authority.

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

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

VfM arrangements: Governance

Approach and considerations

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

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

Commentary

During the year the Authority undertook a large capital project on Oakwell House. The Authority appointed Identity Consult to project manage the refurbishment. At the start of the process, a procurement exercise was undertaken to appoint the main contract. This involved Identity Consult, the Director, Head of Finance and Corporate Services and the Governance and Risk Officer. This involved scoring each contractor using an evaluation matrix which considered both price and quality. Throughout the project, monthly meetings were held between all the parties involved and included the key members from the Authority. In between the formal meetings, there was regular communication between the Program and Improvement Lead and Governance and Risk Officer at the Authority and Identity Consult.

There were two main delays during the project; delays in delivery of furniture and delays in installing wifi. These delays were not within the control of the Authority and there were a number of mitigating measures put in place by the Authority to ensure there was no disruption to the services provided. The main risk to the Authority was the installation of the wifi and relocation of the servers as accessing the data on the servers is critical for the Authority's services. The delay in the installation of wifi resulted in the servers not being able to be relocated, however, the Authority were able to extend the lease at Gateway Plaza which allowed the servers to continue to be used and for all staff to work remotely. Therefore there was no impact on the services provided by the Authority throughout the period of the refurbishment and relocation.

As set out on the previous page, the Authority has a detailed risk management process in place. The Authority maintains a Risk Management Framework and risk register which are reviewed on a quarterly basis by the Authority. The risks identified are allocated to an owner to implement the mitigating actions. The Authority has a series of policies covering internal controls including a clear whistleblowing and anti-fraud policy. These policies are readily available for all staff to review.

VfM arrangements: Governance – continued

Commentary

The Authority engaged Hymans Robertson in July 2020 to perform an assessment of the Authority's position in relation to their legal requirements in respect of the LGPS, as well as the expectations of The Pensions Regulator and the themes emerging from the LGPS Scheme Advisory Board's Good Governance project. The overall conclusion was that 'the Authority is extremely well run and that its governance framework is excellent'. The report includes a number of recommendations which the Authority has put actions in place during the year to address. The main change is in relation to the arrangements for the statutory officer roles of Clerk, Monitoring Officer and S73 Officer. These roles are currently provided through an SLA with Barnsley Council. The report notes the recommendation does not reflect the current quality of the service and is to highlight the importance of the Authority receiving the specialist advice it requires to function effectively. Following the governance review, different options were considered in relation to these statutory officer roles, and the decision taken to internalise the governance functions. This includes transferring the responsibilities of Monitoring Officer and S73 Officer to individuals directly employed by the Authority from April 2023. The role of Clerk will continue to be held by the Barnsley Metropolitan Borough Council Chief Executive.

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

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

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

Internal Audit reports for 2021/22. Internal audit completed 10 reviews during the year. 5 reports received reasonable assurance and 5 received significant assurance. The overall head of internal audit opinion for the year was reasonable assurance.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

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

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

Commentary

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

The Authority engage CEM Benchmarking, an external company, on an ad hoc basis to perform benchmarking reviews in areas such as pensions administration and investments. CEM Benchmarking performed an investments review for the six years up to March 2021. This showed the investments were performing ahead of the LGPS median with regards to the net total return. The report concluded the Pension Fund is delivering positive value at low cost.

The most significant partnership that the Authority is part of is the Border to Coast Pensions Partnership ('BCPP'). The Authority is both an investor in products and an owner in the company along with ten other partner funds. BCPP currently manages 70% of the Pension Fund assets. BCPP provide monthly and quarterly reports to the Authority outlining their performance and compliance with mandates agreed with the Authority. These are reviewed by the Director to monitor the performance of the partnership and mitigate any risks identified.

BCPP have an annual internal controls review undertaken by KPMG who have produced an Independent Service Auditor's Assurance Report on Investment Management Control System for the period 1 January 2021 to 31 December 2021. This report is unqualified.

VfM arrangements: Improving economy, efficiency and effectiveness – continued

Commentary

The Authority performs an annual review of BCPP. They have an annual review meeting involving the BCPP portfolio managers, senior management and the Authority's investment advisory panel and produce an annual review report. This covers the investment performance and the delivery of the partnership against the principles and the Authority's objectives. The annual report concludes that the partnership has delivered the intended outcomes and has improved delivery of value for money. The report highlights a few recommendations mostly relating to improving the oversight processes in place. The Authority is making progress in implementing the recommendations.

Purpose of our report and responsibility statement

What we report

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

What we don't report

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

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

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

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The scope of our work

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

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

Use of this report

This report has been prepared for the Authority, 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.



Deloitte LLP

Newcastle upon Tyne | 10 October 2022

Appendices

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Appendix 1: Authority's responsibilities

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

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

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

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

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

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

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

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

Appendix 2: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Other findings from our work, including our commentary on the Authority's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

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

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

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South Yorkshire Pensions Authority

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

Issued on 7 September 2022

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Final report

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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 complete.

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)

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Our conclusion

Our audit work is complete and we will issue an unqualified audit opinion on the financial statements of both the Authority and the Fund.

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.

Responsibilities of the Audit Committee

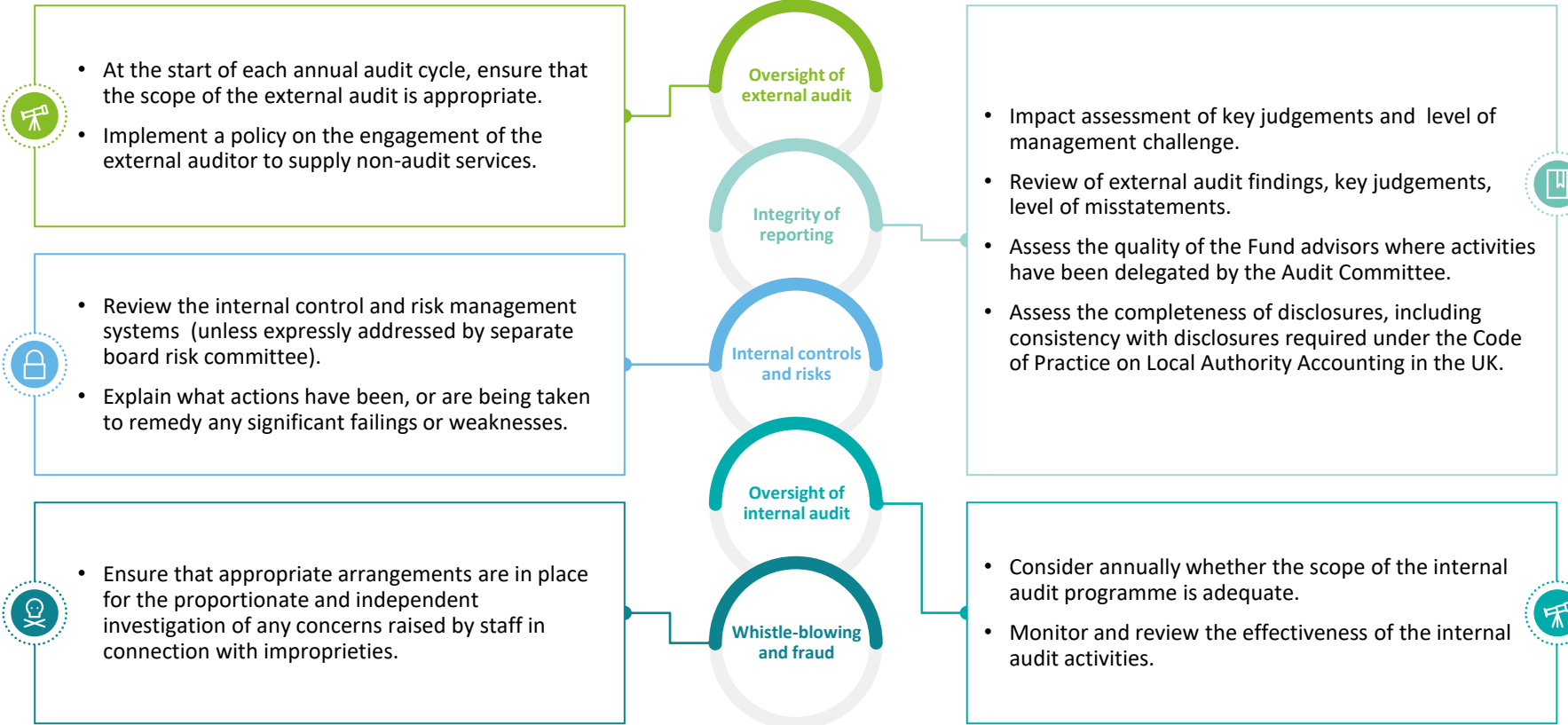
Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

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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 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.

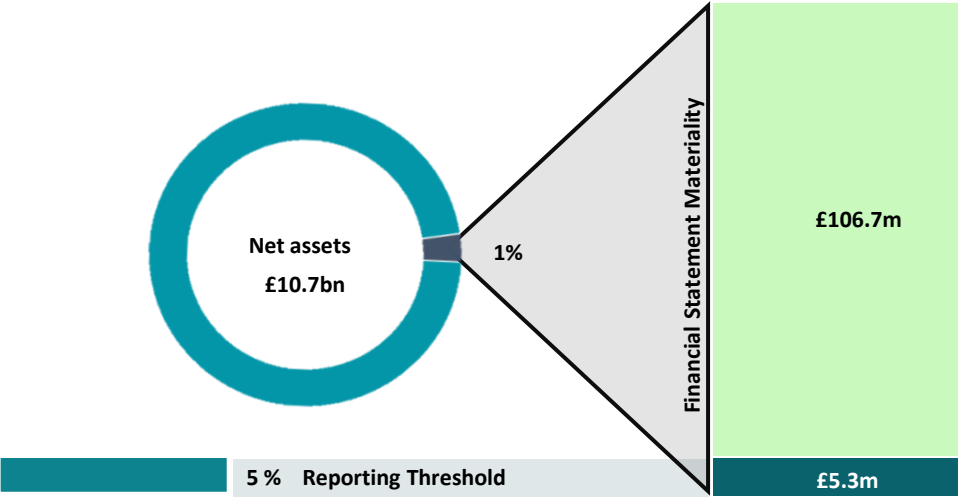
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REPORTING TO THOSE CHARGED WITH GOVERNANCE

- 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 financial statements
- We have used 2% of gross expenditure per the 31 March 2022 financial statements as the benchmark for determining our materiality levels.

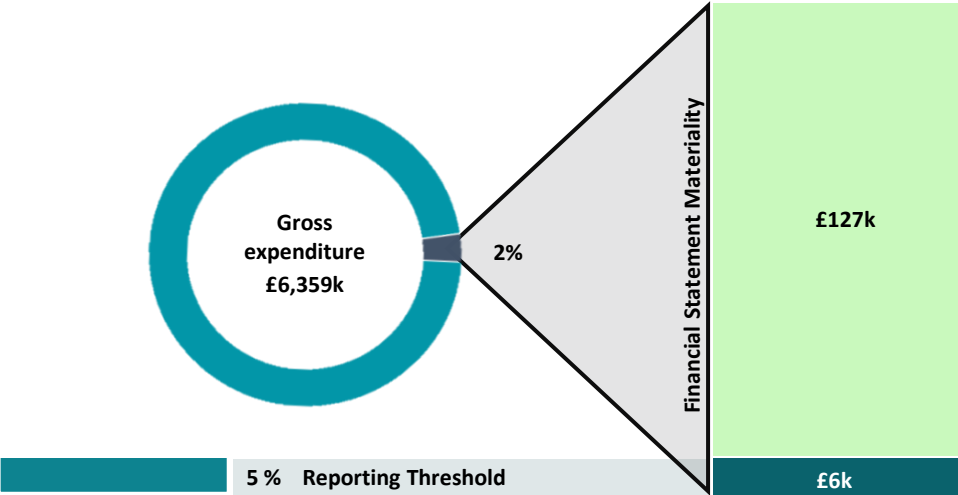
The basis for our materiality calculations is the same as the previous year.

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.



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02

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04

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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 17.



Response of those charged with governance

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



Deloitte comment

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



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;
- performed a retrospective review of accounting estimates to assess the historic accuracy of management's estimates;
- completed 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;
- reviewed 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 tested 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
- tested 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 – 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 sector:

- **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.

Following receipt of the final property valuations, the retail, retail warehouses and hotels sectors were immaterial, and for these reasons, we have no longer considered these as a significant risk, and have assessed them as audit focus areas.

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



Deloitte response and challenge

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

- assessed the design and implementation of controls around the valuation of direct properties;
- 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;
- 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 a sample of offices, 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; and
- utilised 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 sector.



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;
- 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;
- for a sample of active members, we recalculated individual contribution deductions and ensured 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;
- tested 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 have concluded our testing and we have not identified any issues to report to the Audit Committee as a result of our audit testing.

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;
- 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;
- 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);
- performed 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; and
- tested 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 have concluded 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 £27.3m.

Audit focus areas – Fund (3/3)

Valuation of directly held agricultural and commercial property not held in offices



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:

- assessed the reliability, competence and capabilities of JLL;
- 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. 4 properties had a significant difference to our expected valuation, and we referred them to DRE for further assessment;
- utilised 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 1 property;
- 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; and
- confirmed directly with the Fund's legal advisers that the title deeds are held for all properties.



Conclusion

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

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:

- reviewed the specific accounting system migration controls and gain assurance over the accuracy and completeness of Fund and Authority general ledger balances following the migration;
- performed 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;
- involved our IT specialists in the review of the migration process; and
- reviewed the reconciliation of balances report to ensure completeness of transfer.



Conclusion

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

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:

- obtained 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;
- reviewed the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used;
- evaluated the roll forward approach used by the actuary to ensure that this is appropriate;
- reviewed the pension related disclosures in the financial accounts; and
- ensured the pension assets and membership information is consistent with those as per the Pension Fund financial statements.



Conclusion

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

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.

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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 complete and will be reported in our Auditor's Annual Report.

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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. In line with Practice Note 10, the auditor’s assessment of going concern should take account of the statutory nature of the entity and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the entity. Therefore, the public sector auditor applies a ‘continued provision of service approach’, unless there is clear evidence to the contrary.	<p>Our testing to address this risk included:</p> <ul style="list-style-type: none"> • Reviewed the going concern assessment prepared by the AC; • 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. <p>We have nothing to bring to the attention of the AC.</p>
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. <p>We have nothing to bring to the attention of the AC.</p>
GMP Equalisation	The Fund must take action to implement the High Court’s October 2018 and November 2020 rulings on the requirement to equalise benefits built up between 17 May 1990 and 6 April 1997 to take account of unequal Guaranteed Minimum Pensions (“GMP”) set out in legislation.	<p>Our testing to address this risk includes:</p> <ul style="list-style-type: none"> • Confirmed 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 auditors• The 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 stakeholders• There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering• The 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 clients• Deloitte invests heavily in systems, processes and people to check for potential conflicts• We have governance in place to assess any areas of potential conflict, including where required to protect the public interest• Fees 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 interest• Our Impact Report and Transparency Report are available on our website https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html• Our 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.

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.

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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 22 February 2022.

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.

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

Deloitte LLP

Nicola Wright

For and on behalf of Deloitte LLP

Newcastle upon Tyne | 7 September 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

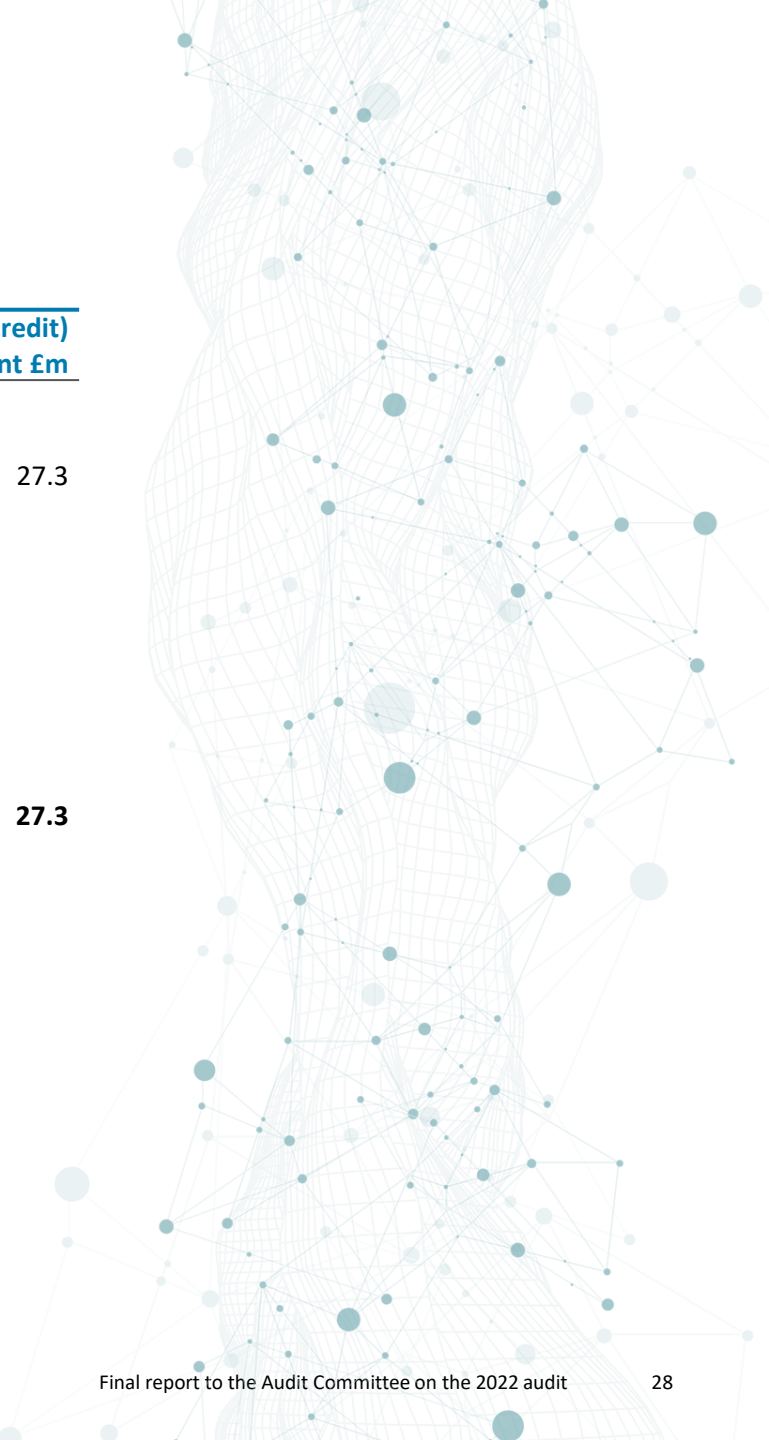
Appendix 1: Audit Adjustments - Fund

Uncorrected audit adjustments

Detail	Debit/ (credit) Fund Account £m	Debit/ (credit) Net Asset Statement £m
Uncorrected [1] Stale price adjustment alternative investments	(27.3)	27.3
Total	(27.3)	27.3

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
Uncorrected [1] Net pension liability	(0.079)	0.079

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Corrected disclosure deficiencies

No significant disclosure deficiencies identified to date

Appendix 2: 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 3: Independence and fees

A Fair and Transparent Fee

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

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.

Fees

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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 PSAA correspondence, we have been in discussion with the Authority regarding the current level of fee which needs to take into account the revised approach to Value for Money reporting in the current and prior year. We have proposed an additional fee of £7,745 for the additional work on the Value for Money reporting in 2020/21 and £6,080 for 2021/22. We have also been required to perform additional audit procedures as a result of the general ledger migration. We have proposed a fee of £2,347 for this work. These additional fees are subject to approval by the PSAA.

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 classifies 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 4: 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

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Nicola Wright
Partner



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Subject	Progress Update on Actions Arising from Audit Reviews	Status	For Publication
Report to	Audit Committee	Date	20/10/2022
Report of	Governance and Risk Officer		
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 findings 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 agreed actions in response to these, 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 findings and/or recommendations made by both external audit and internal audit are addressed and 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

Annie Palmer

Governance and Risk Officer

Background Papers	
Document	Place of Inspection
None	-

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

Audit Review Title	Report Issued Date	Agreed Management Action (AMA)	Progress Update	Officer Responsible and Timescale
Accounts Receivable	11/03/2021	<p>The processes and procedures for dealing with credit control and debt recovery will be fully reviewed as part of 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>Recruiting to the Finance Team Leader role took a lot longer than anticipated, due to the challenging market currently, and took three attempts over the last 6 months. The impact of this has delayed our progress taking this action forward.</p> <p>However, we have now successfully appointed, and the Finance Team Leader started in post on 12/09/2022 and one of their initial priorities is to drive this project forward. We have now created a working group and a timeline for completing this action in full by 31/03/2023.</p>	<p>Financial Services Manager</p> <p>Revise to 31 March 2023</p>
Accounts Payable - Operational Procedures		<p>1) The team working on accounts payable will complete the documentation of new procedure manuals for all the relevant accounts payable processes for the new finance system. These will be reviewed and signed off by the Finance Team Leader and Financial Services Manager and regularly reviewed thereafter.</p> <p>2) The Purchasing Cards Procedures and Cardholder Guide will be completed to reflect current Administrator details and telephone numbers.</p>	<p>1) The new procedure manuals have been completed for the accounts payable processes on Advanced Financials. They will now be subject to an initial review by the new Finance Team Leader before a final review and sign-off by the Financial Services Manager.</p> <p>2) The Purchasing Card Guide has been updated with the relevant administrator contact details. Implemented 30/09/22.</p>	<p>Financial Services Manager</p> <p>Item 1 – revise to 31 Dec 2022</p> <p>Item 2 – Completed</p>

Progress Update on Agreed Management Actions Arising from Audit Reviews
Appendix A

Audit Review Title	Report Issued Date	Agreed Management Action (AMA)	Progress Update	Officer Responsible and Timescale
DPO Survey – GDPR Staff Awareness		Mandatory GDPR Refresher training will be provided for all staff 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.	Staff have been undertaking the training throughout August and September. The last few staff remaining that need to complete will have done so by the end of October.	Head of Pensions Admin Revised to 31 October 2022
HR Governance - Training Programme	22/01/2020	<p>A whole organisation approach to managing requirements for learning and development will be adopted. The aim is to create programmes (utilising e-learning and other technologies) which cover:</p> <ul style="list-style-type: none"> •Induction •Annual refreshers (in areas such as data protection, anti-fraud, etc.) •Pension admin career grade <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 properly recognised.</p>	<p>The work on the interim measures of developing an induction programme online using LinkedIn Learning is well progressed and should be rolled out in the Autumn. Likewise, training requirements are being collated from the current round of annual appraisals and will be reviewed once all appraisals are complete, in order to identify and commission centrally provided training where appropriate.</p> <p>The work to procure a new HR system and to develop a Learning and Development strategy will be separate, large pieces of work which will take longer to deliver.</p> <p>Implementation date revised to 31st May 2023.</p>	Head of Finance & Corporate Services, and HR Business Partner Revised to 31 May 2023
HR Governance - Workflow / Reminders	20/12/2021	Review and streamline appraisal 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.	A series of communications and briefings with managers was undertaken for the 2022 appraisal round to highlight importance and timescales required for completion. The target for completion by all line managers was extended to 30 Sept 2022 and compliance with this will be reviewed and confirmed in the October audit update.	Head of Finance & Corporate Services 30 Sept 2022

Progress Update on Agreed Management Actions Arising from Audit Reviews

Appendix A

Audit Review Title	Report Issued Date	Agreed Management Action (AMA)	Progress Update	Officer Responsible and Timescale
Investment Income - Operational Procedures		The finance team 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.	All the procedure manuals have now been completed for the processing of transactions on Shareholder. They will now be subject to an initial review by the new Finance Team Leader before a final review and sign-off by the Financial Services Manager. Revised Implementation Date 31/12/2022.	Financial Services Manager Revise to 31 Dec 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 September 2022. It is expected the results will be put forward to the Pensions Authority following the conclusion of this review.	Benefits Team Manager Revised to October 2022
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 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.	The new YORtender system has been implemented and is in use, key officers have received training. Monthly checks are in place to ensure contracts have been published in line with Contract Standing Orders (CSOs). A new Gateway Approval document has been drafted to help guide staff on the procedures as well as to ensure each stage is properly documented. Following an initial review of the document, further amendments are required to tailor the stages of this to SYPA processes and it will then be reviewed by Internal Audit during October, prior to being rolled out. The rollout of the Gateway document will be done in conjunction with some bespoke procurement training to be commissioned from the CIPFA Procurement Network, that will be provided to all officers involved in undertaking procurement activity.	Head of Finance & Corporate Services, and Governance & Risk Officer Revised to December 2022

Table 2: Actions Fully Completed Since Last Report

Audit Review Title	Finding / Implication	Action	Officer Responsible and Timescale
Pensions Review Process Child Pensions - 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.	<p>Reporting will involve: 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 reported 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>Action complete - Child pension report presented to Local Pensions Board in August 2022.</p>	Benefits Team Manager
Pensions Review Process Child Pensions - 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.	<p>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 of all child beneficiary member files and addressing any approval requirements with the HoPA, where necessary.</p> <p>Action complete - Child pension report presented to Local Pensions Board in August 2022.</p>	Head of Pensions Administration, Benefits Team Manager

Progress Update on Agreed Management Actions Arising from Audit Reviews
Appendix A

Audit Review Title	Finding / Implication	Action	Officer Responsible and Timescale
UPM Payroll - Operational Procedures	Lack of detailed and up to date operational procedures relating to the payment of advances may result in uncertainty of roles and responsibilities, inconsistencies in processes and / or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	<p>The Transactions Officers have all been fully trained and briefed, including on the processing of advances. The Transactions Senior Practitioner will provide refresher training for the Transactions Officers, and the Transactions Officers will produce procedure manuals for the various scenarios involving advances, including detail on when an advance can be made, and approvals required. These will be reviewed and signed off by the Transactions Senior Practitioner and checked by the Financial Services Manager by September 2022; and regularly reviewed thereafter.</p> <p>Action complete 30/09/2022.</p> <p>The new advances procedure has been produced by the team and reviewed by the Transactions Senior Practitioner. The Financial Services Manager has checked to see that the procedure is now in place and that the team are comfortable with their tasks and responsibilities in this area.</p>	<p>Financial Services Manager</p> <p>Implemented 30 September 2022.</p>

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Subject	Annual Review of the Risk Management Framework	Status	For Publication
Report to	Audit Committee	Date	20 th October 2022
Report of	Corporate Manager - Governance		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Corporate Manager - Governance	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

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

2 Recommendations

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

3 Link to Corporate Objectives

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

To uphold effective governance always showing prudence and propriety.

4 Implications for the Corporate Risk Register

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

5 Background and Options

- 5.1 The terms of reference of the Audit Committee require that it review the Risk Management Framework on an annual basis. This report is intended to fulfil that requirement.

- 5.2 The Risk Management Framework is at Appendix A and the current corporate risk register (as reviewed at the last meeting of the Authority) at Appendix B.

- 5.3 The Senior Management Team have continued to review the risk register monthly and update scores and mitigations as necessary, together with commentary to support the making of changes to scores (or not). This provides members of the Authority with assurance that risk management arrangements at an operational level are being operated as intended.
- 5.4 During the last 12 months, following the expansion of the Governance team, we have been able to provide more dedicated focus to the area of risk management across the organisation and we arranged for internal audit to undertake a review of our arrangements to help inform the work of the team on planning improvements and enhancements that can be taken forward over the next year. The audit review concluded in August 2022 with a Reasonable (Positive) assurance opinion, and management actions were agreed in respect of three findings: one with medium and two with low impact.
- 5.5 The plans to enhance the risk management framework going forward include adding a secondary layer of assurance in addition to SMT by involving the corporate and team managers and giving them the responsibility to monitor risks within their teams and escalate to SMT where appropriate. In addition, options for a new risk management software system are being explored to help embed, streamline and support the more robust arrangements across the whole organisation, and to integrate this with wider compliance, performance and project management processes.
- 5.6 Given that the internal audit review has provided assurance that the Risk Management Framework continues to operate effectively in its current form, and pending the implementation of the actions outlined above, it is not proposed to make any substantive changes to the Framework at this stage. Members are asked to endorse this approach. A further review and full update will be undertaken at the relevant time in the coming months to take account of the implementation of the planned developments.

6 **Implications**

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

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

Jo Stone

Corporate Manager - Governance

Background Papers	
Document	Place of Inspection



Risk Management Framework October 2022

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Foreword

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

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

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

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

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

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

Objectives of the Authority's Risk Management Policy

The objectives of this policy are to:

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

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

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

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

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

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

How will we know if we have achieved our Risk Management objectives?

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

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

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

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

The Risk Management process

The risk management process requires that every relevant risk:

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

Risks are contained in either:

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

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

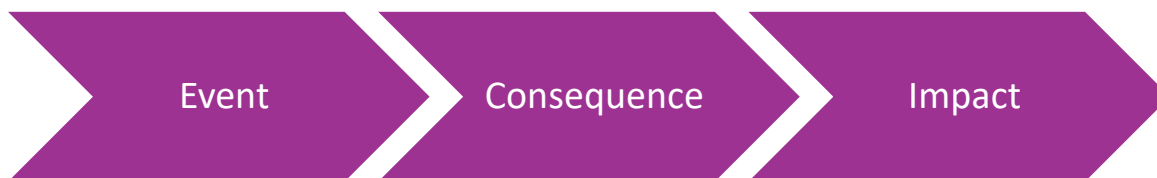
Risk Identification and Recording

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

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



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



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

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

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

Risk Assessment or Scoring

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

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

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

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

Risk Matrix

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

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

Risk Mitigation

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

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

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

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

Risk Review

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

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

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

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

Risk Tolerance/Acceptance

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

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

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

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

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

Guidance, training, and facilitation

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

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

Assurance

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

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

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

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

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

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

Appendix 1 Risk Assessment and Scoring Methodology

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

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Probability				
Very Low (1)	Low(2)	Medium (3)	High (4)	Very High (5)
Less than a 5% chance of circumstances arising OR Has happened rarely/never	5% to 20% chance of circumstances arising OR Only likely to happen once every 3 or more years	20% to 40% chance of circumstances arising OR Likely to happen in the next 2 to 3 years OR Risk seldom encountered	40% to 70% chance of circumstances arising OR Likely to happen at some point in the next 1 to 2 years OR Risk occasionally encountered	More than a 70% chance of circumstances arising OR Potential occurrence OR Risk frequently encountered
Financial and Other Impacts				
Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
<1% of budget OR Up to £100,000 OR in terms of Investment Assets <1% change in asset values	1% - 5% of budget OR Up to £250,000 OR in terms of Investment Assets >1% but <2.5% change in asset values	6% - 10% of budget OR Up to £1m OR in terms of Investment Assets >2.5% but <5% change in asset values	11% - 20% of budget OR Up to £5m OR in terms of Investment Assets >5% but <10% change in asset values	>20% of budget OR Over £5m OR in terms of Investment Assets >10% change in asset values

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

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

Risk Matrix

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

