

SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

2 MARCH 2023

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: G Graham (Director), G Taberner (Assistant Director - Resources and Deputy Treasurer), J Stone (Head of Governance and Monitoring Officer), W Goddard (Service Manager - Finance) A Palmer (Team Leader - Governance)

N Wright (External Audit Partner Deloitte)

S Ghuman (Director of Legal & Governance at Barnsley Council & Deputy Clerk)

R Winter (Head of Internal Audit, Anti-Fraud and Assurance BMBC)

C Hollins (Principal Auditor BMBC)

S Shepherd (Auditor BMBC)

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**

RESOLVED – That item 14 ‘Annual Procurement Report’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None

6 MINUTES OF THE MEETING HELD ON 20/10/2022

Councillor Nevett sought confirmation that final sign off of the External Auditors Annual Report had occurred per Item 9 of the last meeting. And if any of the identified risks had highlighted any issues.

Assistant Director – Resources confirmed it had and was completed before the statutory deadline and no issues raised.

RESOLVED: That the minutes of the meeting held on 20 October 2022 be agreed as a true record.

The Director introduced Sukdave Ghuman (Director of Legal & Governance at Barnsley Council) who has taken on the role representing the Clerk at Authority Meetings.

Members queried why the Clerk no longer attends personally.

Director explained due to heavy diary commitments it is not always possible and it is the convention, not only at SYPA but other Authorities for a “Deputy Clerk” to attend as a representative.

7 INTERNAL AUDIT PROGRESS REPORT

R Winter introduced C Hollins and S Shepherd members of the Audit Team delivering the Authority’s audit plan.

C. Hollins delivered the report on Internal Audit Activity for the period 1st October 2022 to 19th February 2023.

Key points of the report are:

- To date 60% of planned dates have been delivered.
- As previously reported, a couple of items will be carried over into the new financial year. These will be completed in time for inclusion in the Internal Audit Annual Report.
- Of the 16 planned assignments for the year, 9 have so far been completed.
- The compliance element of the Programme/Project Management Review and the Design and Implementation of Staff Payroll & HR System have been deferred to 2023-24
- 5 Final Reports issued and all have Positive Assurance opinion (See table on page 16 of the report)
- 7 reports on going at various stages of completion.
- No issues highlighted in the Management Actions reports.

RESOLVED: Members considered and accepted the report.

8 INTERNAL AUDIT PLAN

R. Winter delivered the draft Internal Audit Plan 2023-24 and provided assurance to the Board that it conformed to all required professional standards.

RESLOVED: Members considered and accepted the plan.

9 EXTERNAL AUDIT PLAN

N Wright presented Deloitte's External Audit Plan 2022-23.

The main points of the report are:

- No significant Fund changes. It is noted there are plans to restructure the agricultural portfolio, but this will not impact the period currently under review.
- The significant risks identified, which remained as previously:
 - a) Management override of controls
 - b) Valuation of directly held commercial property
 - c) Completeness and existence of Investments
- Other risks:
 - a) Valuation of alternatives
 - b) Valuation of directly held agricultural property
 - c) Completeness and accuracy of contributions.
- No issues identified in proceeding to sign-off the Authority's accounts before the statutory deadline of September 2023.

In considering the report, members raised the following points:

- Why is inflation not included as a risk to the Fund's investments and expenditure?

Inflation is already used as a factor when assessing the Fund's Investment Valuation. The nature of the Authority means from an Audit perspective, inflation is not a significant factor when assessing viability of expenditure.

- How does the increase in utilities (gas, electric) etc feed into the report?

Again, due to the nature of the Authority, this is not a significant risk to the accuracy of the accounts from an Audit perspective.

Any impact from inflation on the value of the Funds investments, would be picked up within the Valuation section of any Audit.

- How will changes in the Officers of the Authority impact on the Auditors role?

This would factor into the value for money section of the Year End report. Areas for consideration would be, continuity, compliance with Governance arrangements, has the Constitution been followed correctly.

RESOLVED: Members considered and accepted the plan.

10 ACCOUNTING POLICIES 2022-23

The Assistant Director – Resources presented the Review of Accounting Policies 2022-23.

The main change requested is the introduction a de-minimis threshold of £1000 for the accrual of items of income and expenditure in the year where cash has yet to be received or paid.

In considering the Policy, members raised the following points:

- What is meant by Accrual and what are the implications?

The accounting basis operates on the financial year that goods or services are received. The cash may not be paid until after the year end, for example electricity bill in March won't be paid until April; but would be recognised in the accounts for the year ending March. Going forwards, anything below the new threshold would not be accrued, in line with practice commonly adopted in all sectors.

- How many current payments would be captured by the change?

Only a minimal number of these payments are made. The proposed change would grant more flexibility in preparing the accounts and be kept under review.

RESOLVED:

- a) Members noted the accounting policies to be used in the preparation of the Authority's Statement of Accounts in accordance with the requirements of CIPFA Accounting Code of Practice.**
- b) Approved the introduction of a de-minimis threshold of £1000 for accruals of income and expenditure.**

11 PROGRESS ON AGREED MANAGEMENT ACTIONS REPORT

The Head of Governance presented a report updating Members on progress in delivering Management Actions agreed with Internal and External Audit.

In considering the report, members raised the following points:

- Under Verification of Assets – Property Holdings. Does this only cover the Agricultural assets? Given the size of the Agricultural portfolio, what steps are being taken to ensure this situation does not reoccur?

During the audit, it was confirmed that all commercial holdings are registered as per the records, so this item specifically deals with agriculture. The agricultural portfolio is very complex and is made up of sometimes small individual holdings. For example, some deeds cover a single field whilst the Fund may hold another deed for the field next to it.

Bidwells are retained to manage the portfolio on the Fund's behalf and maintain the records. A handful of entries on the Land Registry differed from the information Bidwells held. Work is ongoing to identify and correct the records.

- Could this have an impact on the valuation of the holdings?

No, this exercise is around maintaining accurate records and not actual land valuation.

- What mitigating actions are being taken?

Work is being undertaken to consolidate these smaller holdings into 11 larger holdings and to ensure that all holdings are registered with the Land Registry which is not always the case for agricultural land.

RESOLVED: Members noted the progress being made on implementing agreed management actions and sought further clarification from Officers.

12 AUDIT COMMITTEE ANNUAL REPORT

The Head of Governance presented the draft Audit Committee Annual Report for 2022/23, which is a key part of the assurance processes associated with production of the Annual Governance Statement. The report would be updated to incorporate the outcomes of today's meeting and completion of the Internal Audit and would be submitted to the Authority for approval.

In considering the report, Members raised the following points:

- As noted previously, the Clerk and Treasurer of the Authority do not, given the scale of their other responsibilities, regularly attend meetings and requested that the Director's response under agenda item 6 be included in the minutes.

The Director added that from April, the Assistant Director – Resources will formally take on the role of Treasurer as previously agreed and is currently the Deputy Treasurer, so representation has been present.

RESOLVED: Members:

- Approved the Annual Report of the Audit Committee 2022/23**
- Delegate the Head of Governance approval to update the Annual Report for publication to reflect the attendance and outcomes of this meetings and the final outcomes of internal audit reviews.**

13 AUDIT COMMITTEE TERMS OF REFERENCE AND WORK CYCLE

The Head of Governance presented for consideration and approval the new Audit Committee Terms of Reference and proposed work cycle for 2023/24.

The main points of the report are:

- The Terms of Reference have been developed in line with the Position Statement and advice from CIPFA's Better Governance Forum and have also been reviewed by The Head of Internal Audit and Internal Audit Manager.
- It is suggested the Committee is renamed to Audit and Governance Committee to accurately reflect the various aspects of the wider governance framework.
- It is recommended the committee moves to 4 meetings per year as outlined on the Work Cycle.
- Work is ongoing to source two independent members for the committee as recommended as best practice guidance.

In considering the above, members raised the following points:

- The Terms of Reference do not include the Trade Union representatives among the membership of the Committee.

Agreed Action: Head of Governance to amend as necessary.

- Whether this work had resolved the issues previously raised around the committee's role in risk management and whether this committee would receive the Risk Register as opposed to the Local Pensions Board?

This committee has oversight of the risk management framework and is not required to review operational risks on a quarterly basis. That is a function of the Authority so no change is required.

The Director added that the Local Pension Board has specific duties in regards to the Risk Register.

- What steps have already been taken to recruit the independent members?

Contact had been made with the ICAEW to enquire if they can help source for us. One enquiry was made but did not result in an appointment. Other options being explored including platforms like LinkedIn.

- Clarification was sought on the additional expense associated with independent members.

The position would not qualify for payment as it is a voluntary position. Expenses for travel etc. would be covered.

The Director advised a wider piece of work was already underway to look at allowances for the Non-Voting Co-Opted Members of the Authority and members of the Local Pension Board so this matter could be tied into that.

RESOLVED: Members:

- a) **Approved the adoption of the Terms of Reference attached at Appendix A.**
- b) **Approved the committee be renamed Audit and Governance Committee.**
- c) **Approved the Work Cycle 2023-24 and noted this now includes 4 meetings per year.**

Exclusion of Public and Press.

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

14 **ANNUAL PROCUREMENT REPORT**

The Team Leader – Governance presented the Annual Procurement Report for 2022-23 to the committee.

RESOLVED: Members noted, commented on and accepted the report.

Chair closed the meeting.

Agreed Actions

Date of Meeting	Agenda Item	Agreed Action	Lead Officer
02/03/2023	13	Amend ToR to indicate Trade Union representatives form part of the membership of the Committee	Head of Governance