

## **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, 2 March 2023 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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### **WEBCASTING NOTICE**

**This meeting may be filmed for live or subsequent broadcast via the Authority's website. At the start of the meeting the Chair will confirm if all or part of the meeting is being filmed.**

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

## **Distribution**

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

## **Contact Details**

For further information please contact:

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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, 2 MARCH 2023 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT,  
PONTEFRACT ROAD, BARNSELEY, S71 1HG

### Agenda: Reports attached unless stated otherwise

	<b>Item</b>	<b>Pages</b>
	<b><u>Committee Administration</u></b>	
1.	Apologies	
2.	Announcements	
3.	Urgent Items  To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4.	Items to be considered in the absence of the public and press  To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting.)	
5.	Declarations of Interest	
6.	Minutes of the meeting held on 20/10/2022	5 - 10
7.	Internal Audit Progress Report	11 - 20
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11.	Progress on Agreed Management Actions Report	77 - 84
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14.	Annual Procurement Report ( <b>Exemption Paragraph 3</b> )	109 - 112

## SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

20 OCTOBER 2022

PRESENT:

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

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

Officers: W Goddard (Financial Services Manager), G Graham (Director), J Stone (Corporate Manager - Governance), G Taberner (Head of Finance and Corporate Services), S Bradley (Audit Manager), R Winter (Head of Internal Audit), C. Hollins (Principal Auditor) and R Green (Business Support Officer)

N Wright (External Audit Partner Deloitte)

Apologies for absence were received from Councillor G Weatherall, Councillor S Cox, D Patterson and G Richards

### 1 APOLOGIES

In the absence of Cllr Weatherall members agreed that Cllr Nevett should take the Chair.

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 28/07/2022

RESOLVED – That the minutes of the meeting held on 28 July 2022 be agreed as a true record.

7 INTERNAL AUDIT PROGRESS REPORT

S. Bradley delivered the update report for 27<sup>th</sup> June to 30<sup>th</sup> September 2022.

The committee were informed that the plan was on track, with a completion rate of 32% as at the end of September.

After discussions with management, a plan amendment had been made to defer the audit of Business Continuity Arrangements, to 2023-24 and an unplanned End to End Interfund Process audit had been substituted.

A breakdown of completed and work in progress items are available on pages 16 – 18 of the Agenda Pack.

Quarter one KPI's reviewed with no concerns at this time.

Question from Cllr. Clement-Jones: How close is the Authority to moving from Reasonable to Substantial in terms of Assurance?

S. Bradley replied it is very, very rare to see a Substantial opinion given based on the work of Internal Audit.

R. Winter added that Management's approach is to ask Internal Audit to look specifically at areas of weakness, where it is known improvements are needed. This means that by default, they are unlikely to give a full assurance opinion.

Question from Cllr. Nevett: Regarding the Business Continuity Arrangements; when is the work going to be done and when will the report be available?

S. Bradley replied this is the item noted as being deferred into 2023-24 and discussions would take place with management on an appropriate time.

G. Graham clarified SYPA position describing the two dimensions of the Business Continuity arrangements. The Authority's I.T. continuity plan is sound, whereas work is required to develop and strengthen the rest of the arrangements and resources have only recently been identified in relation to this and are not yet in place.

RESOLVED – To note progress on delivering the Internal Audit plan

8 INTERNAL AUDIT EFFECTIVENESS

S. Bradley delivered an update report on External Quality Assessment (EQA) undertaken by CIPFA in July 2021 as required by the Public Sector Internal Audit Standards 2017.

A summary of the actions taken are available in Appendix 2 of the report.

No questions from the committee.

RESOLVED – To note the progress made in addressing the recommendations of the External Quality Assessment of Internal Audit.

9 EXTERNAL AUDIT ANNUAL REPORT

N. Wright delivered the External Auditors Annual Report for review by the committee prior to it being presented to the Full Authority.

There were no concerns or significant weakness to be raised with the Committee. The certificate of closure of audit will be issued to the Authority, once the consistency check on the figures included in the Authority's Annual Report is completed.

Question from Cllr. Nevett seeking an approximate date of the final sign off and issuance of the certificate.

N. Wright confirmed it should be done in the next couple of weeks.

Question from Cllr. Nevett regarding Identified Risks (Page 66) Completeness and Accuracy of Contributions. Could this issue result in fraud?

No material impact on the accounts but is an area to monitor. There have been no issues detected during the Audit.

G. Graham confirmed if fraud was possible in this scenario it would be taking place inside the confines of the employer's payroll.

G. Taberner added internal checks on contributions made by employers for their employees are made by the Finance Team. However, it is reliant on the data submitted to the Authority by the employers in the scheme.

The Support and Engagement teamwork with scheme employers to provide training on calculating and documenting the pensionable pay and contributions of employees to help with this complex process.

RESOLVED – That members:

- i) Note the report.
- ii) Refer the report to the Authority.

10 EXTERNAL AUDIT ISA 260 REPORT

N. Wright reported that this was an updated version of the report originally submitted to the July meeting, at which point a couple of items were outstanding. This work had now been completed and therefore the report was ensuring that members had a complete record of the work undertaken which had not identified any new issues, meaning that a clean audit certificate had been issued.

RESOLVED – That the report be noted

11 EXTERNAL AUDIT APPOINTMENT UPDATE

G. Taberner provided a verbal update on the procurement of External Auditors for the five-year period commencing 2023-24. The Authority opted into the national procurement process run by Public Sector Audit Appointments Limited on behalf of 99% of public authorities.

From the contracts awarded, the Authority has been allocated KPMG.

Bids for this procurement showed a significant increase on the previous contract. This will result in an approximate increase in cost to the Authority of 150%.

N. Wright advised this is reflective of the market value of the work undertaken and requirements imposed on auditors by the regulators. It is widely acknowledged that it has been undervalued for several years.

G. Graham concurred with that assessment.

G. Graham thanked Deloitte for their work during their tenure. The Chair concurred and thanked G. Taberner and her team for their work with the audit and her report.

12 PROGRESS UPDATE ON AGREED MANAGEMENT ACTIONS FROM AUDIT REVIEW FINDINGS

J. Stone delivered a report outlining the progress made. A summary of which is available in Appendix A.

Question from Cllr. Nevett about the updated Purchasing Card Guide. What is the card holder guide?

W. Goddard replied. The Authority has purchasing cards for use by designated staff to make ad-hoc purchases as required e.g. Train Tickets for Officers to attend conferences etc. The guides are so everyone knows their role and responsibilities regarding usage.

The guides were updated to reflect changes in which staff are involved.

Cllr Nevett asked how many staff are still to complete the GDPR training.

The actual figure was not available at the time of the meeting but will be provided to the Committee at later date. G. Graham confirmed it would be staff who have been on sick leave or annual leave. All new staff now undertake the training as part of the induction process.

All staff have an annual refresher and these will be completed by the end of October.

RESOLVED – Members noted:

- I. The progress being made on agreed actions.
- II. Considered and sought further information from Officers.



13 ANNUAL REVIEW OF RISK MANAGEMENT FRAMEWORK

J. Stone presented the report and updated the committee on progress. There have been no substantive changes to the plan.

RESOLVED – The updated Risk Management Framework be approved.

14 ANNUAL REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

G. Graham delivered the report. There have been no significant changes to the statement from the previous year. Some minor changes have been made to reflect the Authority's constitution.

RESOLVED – That the report be approved.

The Chair thanked all attendees and closed the meeting.

CHAIR

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## Agenda Item

<b>Subject</b>	<b>Internal Audit Progress Report 2022/23</b>	<b>Status</b>	For Publication
<b>Report to</b>	<b>Audit Committee</b>	<b>Date</b>	<b>02/03/2023</b>
<b>Report of</b>	Head of Internal Audit, Anti-Fraud and Assurance		
<b>Equality Impact Assessment</b>	Not Required		
<b>Contact Officer</b>	Sharon Bradley	<b>Phone</b>	07795 305846
<b>E Mail</b>	<a href="mailto:SharonBradley@barnsley.gov.uk">SharonBradley@barnsley.gov.uk</a>		

### 1. Purpose of the Report

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 1<sup>st</sup> October 2022 to 19<sup>th</sup> February 2023.
- 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
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**Rob Winter FCPFA**  
**Head of Internal Audit, Anti-Fraud and Assurance**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Background papers and other sources of reference include: Internal Audit Charter 2021-24, Annual Plan 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**

**2<sup>nd</sup> March 2023**

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 1<sup>st</sup> October 2022 to 19<sup>th</sup> February 2023

### Purpose of this report

This report has been prepared to update the Committee on our activity for the period 1<sup>st</sup> October 2022 to 19<sup>th</sup> February 2023, 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 19<sup>th</sup> February 2023, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 60% 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 19<sup>th</sup> February 2023 - Plan Days Delivered

2022/23 Plan	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	68.75	69.75	66.5 (95%)
Pensions Admin	46.75	55.75	29 (52%)
Authority Wide	91.5	74.5	41 (55%)
Corporate Services	15	2	0 (0%)
Contingency	5	25	0 (0%)
<b>Chargeable Planned Days</b>	<b>227</b>	<b>227</b>	<b>136.5 (60%)</b>

#### Position as at 19<sup>th</sup> February 2023 – Planned Assignments With Report

	Planned assignments in year	Assignments to be completed in period	Actual assignments completed in period	Actual assignments completed to date
<b>Finance</b>	8	4	4	6
<b>Pensions Admin</b>	6	3	1	2
<b>Corporate Services</b>	0	0	0	0
<b>Authority Wide</b>	2	1	0	1
<b>Total</b>	<b>16</b>	<b>8</b>	<b>5</b>	<b>9</b>

### 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. The compliance element of the Programme / Project Management review and the Design and Implementation of the Staff Payroll and HR System have been deferred to 2023-24.

## 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		
Finance: Transfer Values	Substantial	0	0	0	0	N/A
Finance: Verification of Assets	Reasonable	0	1	0	1	1
Finance: Treasury Management	Reasonable	0	1	0	1	1
Pensions Admin: Annual Benefit Statements	Reasonable	0	1	1	2	2
Finance: Budget Management / Monitoring	Reasonable	0	3	0	3	3
<b>Total</b>		<b>0</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>7</b>

## Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Agreed Management Actions (AMAs)	Regular work undertaken to follow-up agreed management actions.
Planning, Liaison 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, Member training (as required), general support and development.
National Fraud Initiative	Time allocated to provide assurance that the NFI 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
Pensions Admin: Pensions Savings Statement			✓
Finance: Main Accounting			✓
Finance: Accounts Receivable			✓
Authority Wide: Procurement Compliance		✓	
Pensions Admin: End to End Interfund Process		✓	
Pensions Admin: Pensions Admin System PIR		✓	
Pensions Admin: DPO Assurance ( <i>Advisory</i> )		✓	



Pensions Admin: Actuarial Transition	✓		
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### 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	7	6	1	0
<b>TOTAL</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>0</b>

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

### Internal Audit performance indicators and performance feedback for 2022/23 (Quarter 3)

Internal Audit's performance against a number of indicators is summarised below. The Service uses a range of performance indicators to monitor operational efficiency. Quarterly performance of the function is satisfactory 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
<b>1.</b>	<b><u>Customer Perspective:</u></b>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100%
<b>2.</b>	<b><u>Business Process Perspective:</u></b>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	66%	68%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	3.61 days	7.13 days
<b>3.</b>	<b><u>Continuous Improvement Perspective:</u></b>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
<b>4.</b>	<b><u>Financial Perspective:</u></b>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within budget	Yes	Yes

Ref.	Indicator	Frequency of Report	Target 2022/23	This Period	Year to Date

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

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## Agenda Item

<b>Subject</b>	<b>Internal Audit Plan Report 2023/24</b>	<b>Status</b>	For Publication
<b>Report to</b>	<b>Audit Committee</b>	<b>Date</b>	<b>02/03/2023</b>
<b>Report of</b>	Head of Internal Audit, Anti-Fraud and Assurance		
<b>Equality Impact Assessment</b>	Not Required		
<b>Contact Officer</b>	Sharon Bradley	<b>Phone</b>	07795 305846
<b>E Mail</b>	<a href="mailto:SharonBradley@barnsley.gov.uk">SharonBradley@barnsley.gov.uk</a>		

### 1. Purpose of the Report

The purpose of this paper is to present to members of the Audit Committee (The Committee) the draft Internal Audit Plan for 2023/24.

### 2. Recommendations

#### 2.1 It is recommended that:-

- i. the draft Internal Audit plan for 2023/24 is approved in principle whilst acknowledging the need for the Head of Internal Audit, in consultation with the Director and Treasurer, to exercise his professional judgement during the year to apply the Plan flexibly according to priority, risk and resources available; and
- ii. the Audit Committee receive quarterly monitoring reports from the Head of Internal Audit, Anti-Fraud and Assurance to demonstrate progress against the plan including information where the Plan has materially varied from the original Plan.

### 3. Background Information

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

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

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

#### **4. Basis of the Draft Internal Audit Plan 2023/24**

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

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

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

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

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

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

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

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

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

Mandatory work supports the fulfilment of statutory responsibilities in ensuring the proper administration of the organisation's financial affairs. This work also enables the Head of Internal Audit, Anti-Fraud and Assurance to form his opinion on the adequacy and effectiveness of the governance, risk, and internal control environment. This work includes:

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

#### 4.5 Cumulative Audit Knowledge and Experience

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

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

Other considerations have included the following:

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

#### 4.6 Follow-up Work:

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

#### 4.7 Responsive Work:

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

highly valued and can often highlight some of the more significant items of concern and areas for improvement.

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

#### 4.8 Allocated Days

The number of planned days in the indicative Plan for 2023/24 is 220. This is a slight reduction of 7 planned days, the plan being 227 days in 2022/23.

#### 4.9 Consultation

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

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

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

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

### 6. **Implications**

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

Financial	The cost of the services of the Internal Audit Team is contained within the budget and is periodically invoiced.
Human Resources	n/a
ICT	n/a
Legal	Section 73 of the Local Government Act 1985 requires the Authority to make arrangements for the proper administration of its financial affairs; and Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control. This report does not contain any information which is exempt under the Freedom of Information Act 2000.
Procurement	n/a

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



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

Draft Internal Audit Plan 2023/24

Job Title	Indicative Scope	Governance Areas
Advice	Provision of advice, as and when requested.	All
Advice and Support - HoIA	Provision of advice and support from the HoIA, as and when requested.	All
Planning & Feedback	Day to day management of annual audit plan, including scheduling of resources and incorporating any revisions. Research across the sector.	All
Follow Up of Agreed Management Actions (AMAs)	Follow up and update of the status of agreed management actions (AMAs) from audit assignments.	All
Annual Audit Planning	To discuss and develop an agreed annual audit plan for 2024/25	All
Audit Committee	Preparation of reports and attendance at the Audit Committee meetings. Liaison with the Chair of the Audit Committee.	All
Client Liaison	To prepare for and attend client plan update meetings, periodic attendance at SMT etc.	All
PAGS Process	To provide advice, support and guidance to management during the transition to the new enhanced Governance Compliance Statement.	All
Risk Management	To provide assurance that the Risk Management Framework is fit for purpose and that risks are being effectively and efficiently managed / monitored.	All
NFI	To undertake the required data matching exercises.	DQ; EI; FM; RC
Business Continuity Planning	To provide assurance that the lessons learned and innovative working practices arising from the reactive phase to the pandemic and also the revised arrangements following the office move have been considered and factored into BAU (where required). The BCP Plans have been revised, updated and tested.	DM; DQ; ER; HR; IG; RC
Cybersecurity	To provide independent assurance that the cyber security, backup and disaster recovery arrangements are robust, comply with UK GDPR requirements and mitigate the risks of accidental loss, destruction, manipulation and damage of data.	DM; ER; IG; IS; RC
Data Protection / GDPR	To provide independent assurance that the Authority is complying with the Data Protection and UK GDPR regulatory requirements.	DQ; IG; IS; RC
Programme / Project Management	To provide advice, support and guidance to the newly appointed Project Manager, during the development and implementation of a programme/project management framework. In addition, to provide assurance with regards to the project management arrangements of one project to be delivered during 2023/24 to ensure lessons learned are identified and considered for future projects.	DM; DQ; IG; EQ; FM; HR; PM; PP
Performance Management	To provide advice, support and guidance to management during the design and implementation of the	DM; DQ; EI;

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Job Title	Indicative Scope	Governance Areas
Framework	Performance Management Framework.	HR; PM
Pentana Risk System - Design & Implementation	To provide advice, support and guidance to management during the design and implementation stages of the internal control framework for the risk management system.	All
Customer Services including Contact Centre	To provide independent assurance regarding the compliance with GDPR when receiving, recording and managing / reporting personal information within the Customer Contact Centre. In addition, that the processes are providing for an effective and efficient service.	DQ; DM; IG; LG; PM
Core Financial System - Main Accounting	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Core Financial System - Purchase to Pay	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Core Financial System - Accounts Receivable	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Core Financial System - UPM Payroll	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Core Financial System - Staff Payroll	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Core Financial System – Fund Contributions	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Core Financial System - Investment Income	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Core Financial System - Accounting for Deals	To provide assurance that systems and controls are robust and operating effectively and efficiently.	FM; DQ; IG; AM
Staff Payroll and HR System - Design and Implementation	To provide advice, support and guidance to management during the design and implementation stages of the Payroll and HR System(s). Currently Flexipay and T&A. The systems and processes need modernising incl. workflows e.g. online expenses claims, and better interfacing with the Internet site for recruitment.	DM; DQ; IG; FM; AM; CP; IS; PM; PP
Training & Development - Appraisal Process	To provide independent assurance that the appraisal process is being undertaken in accordance with the approved policy, is consistent and also effective and efficient.	DM; EI; EQ; IG; HR; PM
Border to Coast	To provide independent assurance that on the governance and performance management arrangements following transfer of responsibilities to Border to Coast.	AM; CP; DM; ER; PM; PS
General Contingency	Small unallocated provision of days to accommodate changes in the scope of work, ad hoc requests beyond advisory and general unplanned work.	All

Governance Areas – Key:

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



## South Yorkshire Pensions Authority and South Yorkshire Pension Fund Planning report to the Pensions Authority Audit Committee on the 2022/23 audit

**17 February 2023**

# Partner introduction

## The key messages in this report



Page 30

### 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 Planning Report to the Pensions Authority Audit Committee (the 'Audit Committee') for the 2022/23 audits of South Yorkshire Pensions Authority (the 'Authority') and South Yorkshire Pension Fund (the 'Fund'). I would like to draw your attention to the key messages of this paper:

### Fund changes

In producing our Planning Report, we have held planning discussions with the finance team at the Authority. There have not been any significant changes to date, but we have been made aware that there are plans to:

- Conclude Project Chip and restructure the agricultural portfolio; and
- Conduct a review of delivery against the terms of the contract by the pensions administration software supplier.

None of the above changes are expected to take place in the current financial year.

There have been no significant regulatory changes to the accounting of the Authority or Fund in the current year. The Code of Practice on Local Authority Accounting in the United Kingdom (2022/23) (the '2022/23 Code') applies in the current year.

### Significant audit risks

During our audit planning procedures, we identified the following areas of significant risk:

- Management override of controls – Fund and Authority;
- Valuation of directly held commercial property – Fund;
- Completeness and existence of investments – Fund; and
- Valuation of pension liability – Authority.

We have rebutted the risk of material misstatement in revenue recognition.

In addition, whilst not assessed as significant risks, we have outlined the following areas as areas of audit focus:

- Valuation of alternatives – Fund;
- Valuation of directly held agricultural property – Fund; and
- Completeness and accuracy of contributions – Fund.

Our proposed approach to testing these areas is outlined on pages 10 to 18.

### Audit quality

Our audit approach is tailored to providing the Audit Committee with an audit which is designed to provide assurance and insight over the Authority and Fund's control environment. We plan and deliver an audit that raises findings early with those charged with governance. This is underpinned by mutually agreed timetables, detailed audit request lists and frequent communications with management and the Audit Committee.

### Independence

We confirm we are independent of the Authority and Fund and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2023 in our final report.

**Nicola Wright**  
Lead audit partner

# Responsibilities of the Audit Committee

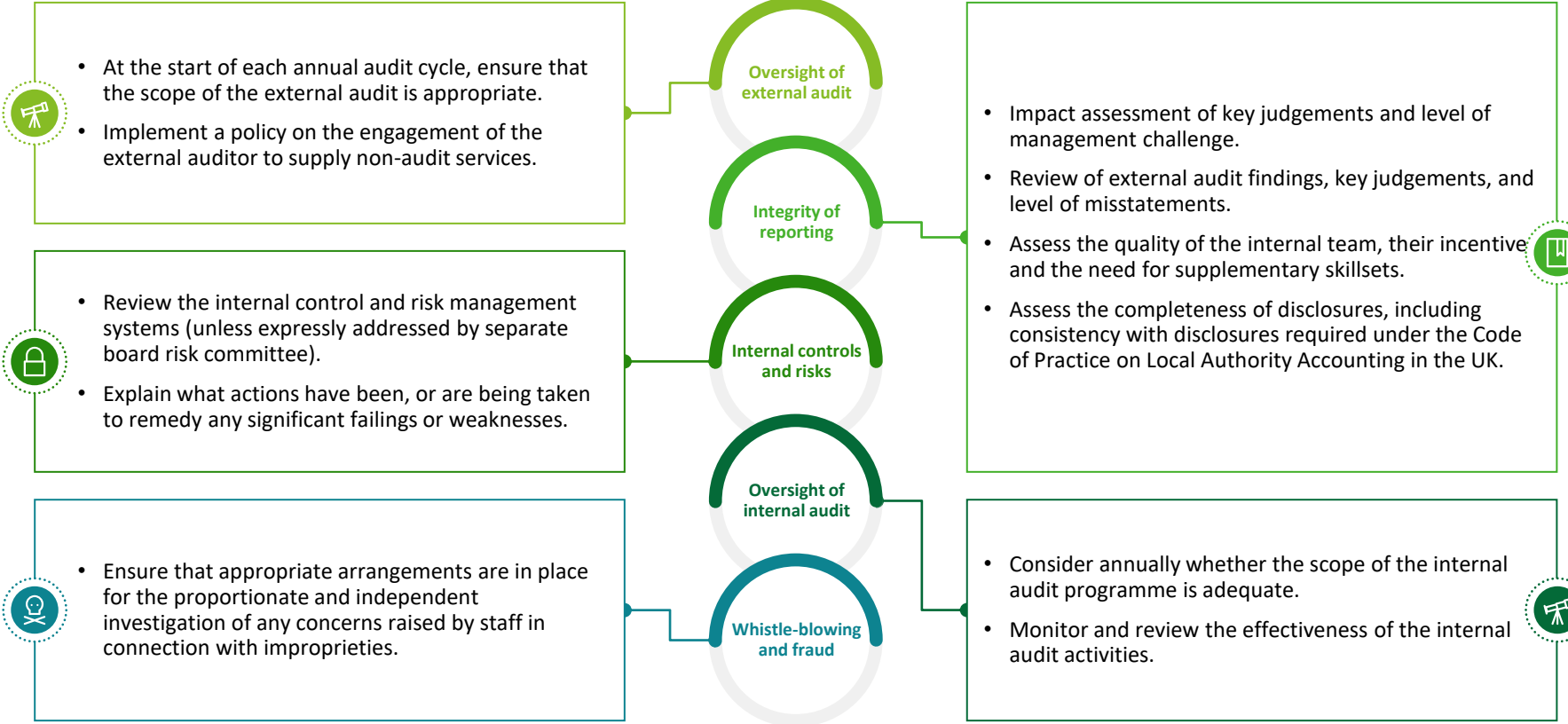
## Helping you fulfil your responsibilities

Page 31

Why do we interact with the Audit Committee?



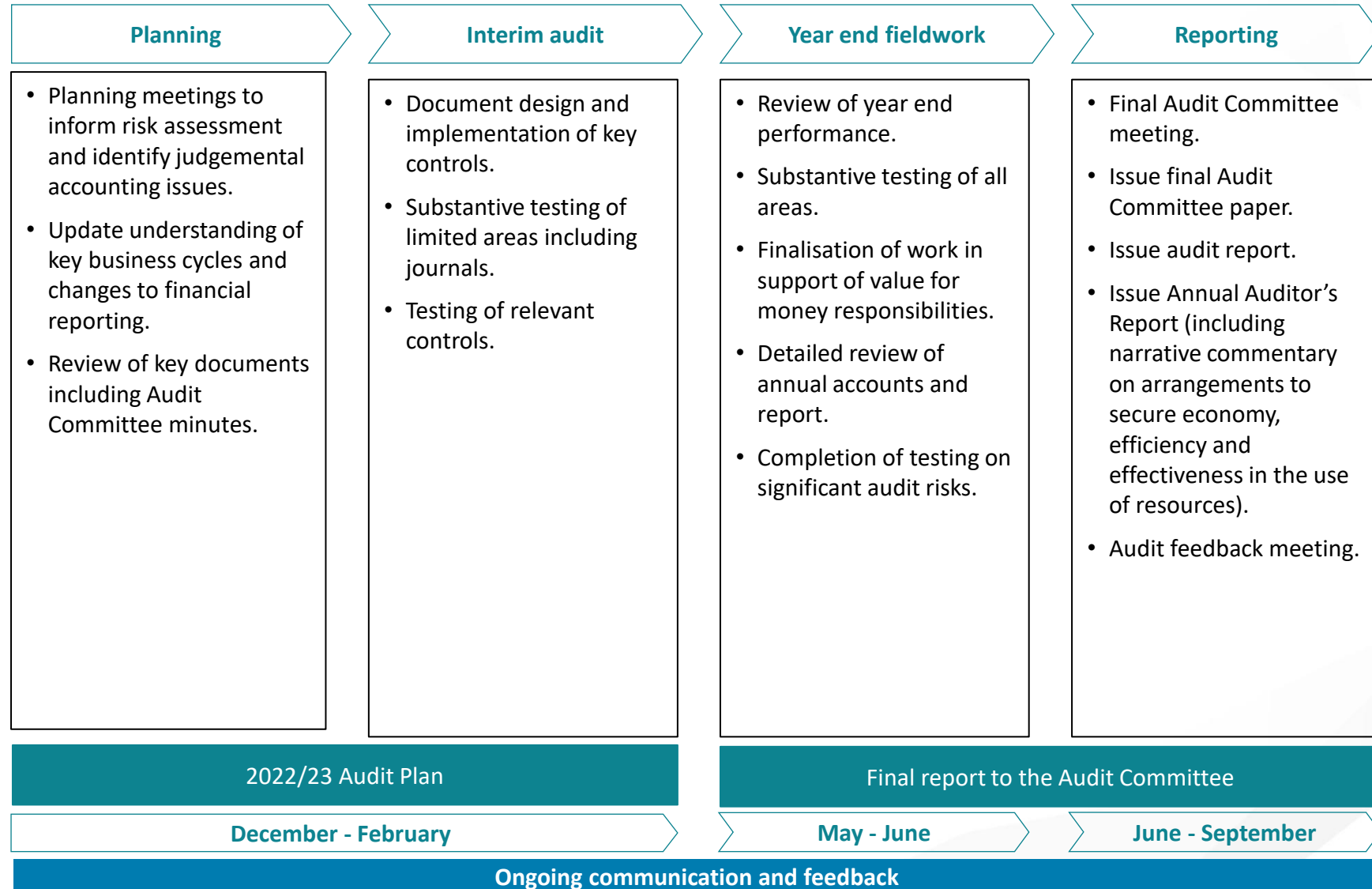
As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee’s responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where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



# Continuous communication and reporting

## Planned timing of the audit

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# Materiality

## Our approach to materiality – FUND

### BASIS OF OUR MATERIALITY BENCHMARK

- The audit partner has estimated financial statement materiality for the Fund based on professional judgement, the requirements of auditing standards and the net assets of the Fund.
- The financial statement materiality for the Fund will be based on 1% (2022: 1%) of the net assets of the Fund as at 31 March 2023.
- The materiality levels to the right are estimates based on the investment assets valuation at 31 October 2022.
- All estimates will be updated on receipt of the 2022/23 draft financial statements.

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

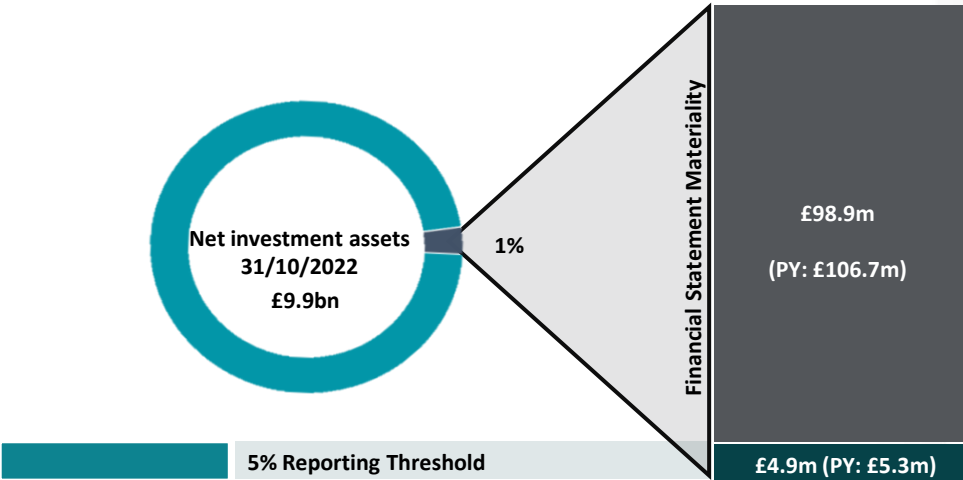
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### REPORTING TO THOSE CHARGED WITH GOVERNANCE

- We report to you on any misstatements found in excess of our reporting threshold ('RT') which is 5% of financial statement materiality.
- Misstatements below these thresholds will be reported if we consider them to be material by nature.

### 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

- The audit partner has estimated financial statement materiality for the Authority based on professional judgement, the requirements of auditing standards and the gross expenditure of the Authority.
- The financial statement materiality for the Authority will be based on 2% (2022: 2%) of the gross expenditure of the Authority as per the draft 31 March 2023 financial statements.
- The materiality levels to the right are estimates based on the signed 2021/22 financial statements.

All estimates will be updated on receipt of the 2022/23 draft financial statements.

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

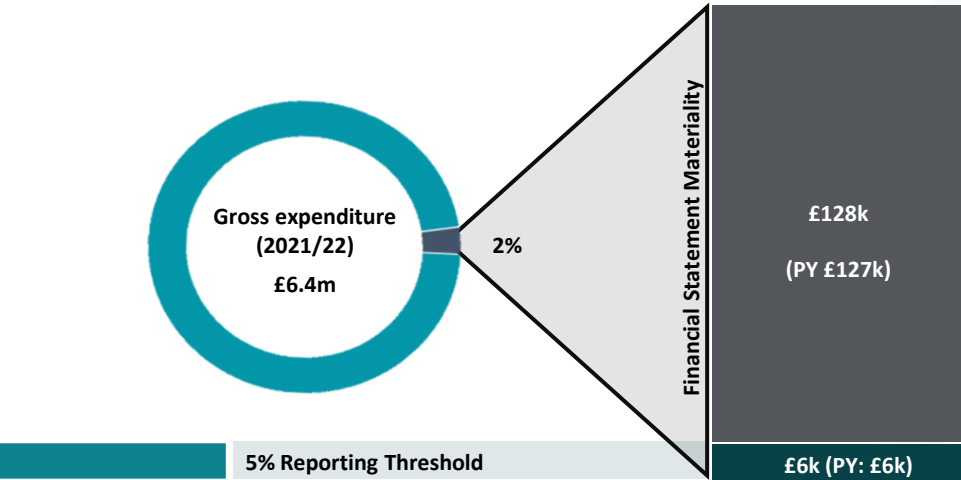
Page 34

### REPORTING TO THOSE CHARGED WITH GOVERNANCE

- We report to you on any misstatements found in excess of our reporting threshold ('RT') which is 5% of financial statement materiality.
- Misstatements below these thresholds will be reported if we consider them to be material by nature.

### 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.



# Your control environment

## What we consider when we plan the audit

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

### Responsibilities of management

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

### Responsibilities of the Audit Committee

As explained further in the Responsibilities of the Audit Committee on page 3, the Audit Committee is responsible for:

- Reviewing the internal control and risk management systems; and
- Explaining what actions have been or are being taken to remedy any significant failings or weaknesses.

We recommend that the finance team complete the CIPFA code of practice checklist during drafting of the financial statements.

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

#### Reliance on controls



- We will seek to rely on the most important controls that are relevant to critical business processes. In accordance with the revisions to ISAs, we will assess inherent risk and control risk associated with accounting estimates and seek to test controls relevant to key estimates, as well as testing the design and implementation of the controls over areas we have categorized as significant risks.

#### Performance materiality



- We set performance materiality as a percentage of materiality (70%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality, with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality.

# An audit tailored to you

## Changes to our audit plan

The following summarises the key areas in which we have changed our audit plan from the prior year.

Description	Increase or decrease of risk classification	Impact on our audit
Valuation of directly held property - FUND	Following the market turmoil created by the publication of the mini budget in September 2022, and continuing increases in inflation, coupled with recession fears, we have expanded the significant risk across the whole commercial property portfolio for the 2022/23 audit. This is based on our planning discussions with our property experts.	Our enhanced procedures will now cover the entire commercial property portfolio.
Completeness and existence of investments - FUND	This has been elevated to a significant risk in the current year. Due to a large volume of investment transactions and significant movements in the market value, there is a risk that an omission may result in material misstatement in the investment balances. This is even more important because of the recent market turmoil with investment managers facing operational challenges due to a large number of reshuffling of the investment portfolio and mass disinvestment.	We will extend our procedures over the testing of the investments. See pages 21-22 for the impact if ISA 315R on our risk assessment.
Valuation of pension liability - AUTHORITY	This has been increased to a significant risk in the current year. This is due to the implementation of the revised ISA 315 – identifying and assessing the risks of material misstatement. This includes a revised definition of a significant risk, focused on risks at the upper end of a spectrum of inherent risk.	We will engage our internal specialists to review the assumptions used in calculating the pension liability. See pages 21-22 for the impact if ISA 315R on our risk assessment.








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# Risk dashboard

## Significant risks and audit focus areas

Risk Identified	Material Balance	Complexity	Proposed Approach	Fraud Risk	Use of specialist	Further Details
 <b>Significant Risk</b> Management override of controls – Fund and Authority						Pg. 11
 <b>Significant Risk</b> Valuation of directly held commercial property – Fund						Pg. 12
 <b>Significant Risk</b> Completeness and existence of investments – Fund			 			Pg. 13
 <b>Significant Risk</b> Valuation of pension liability – Authority						Pg. 14
 <b>Other Focus Area</b> Valuation of alternatives – Fund						Pg. 16
 <b>Other Focus Area</b> Valuation of directly held agricultural property – Fund						Pg. 17
 <b>Other Focus Area</b> Completeness and accuracy of contributions – Fund						Pg. 18

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 Significant Risk	 Low levels of complexity	 Design and Implementation
 Other area of audit focus	 Medium levels of complexity	 Operating Effectiveness
	 High degree of complexity	

# Significant audit risks



01

# Significant audit 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.

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### Response of those charged with governance

The Audit Committee has delegated the accounting function of the Fund and Authority to the in-house finance team.

There is a system of processes and controls in place to address this risk, which is reviewed by internal audit, who in turn report to Audit Committee.



### Deloitte response and challenge

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

- testing the design and implementation of controls around the investment and disinvestment of cash during the year;
- using Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted across the Fund and Authority. This uses intelligent algorithms that identify higher risk and unusual items;
- substantively testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements by agreeing to supporting documentation. As part of our work in this area, we perform an analysis of journal entries which enable us to focus on journals meeting specific pre-determined parameters determined during our audit planning;
- making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- performing 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;
- reviewing the accounting estimates for bias that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management; and
- ensuring that there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year.

# Significant audit risks

## Valuation of directly held commercial property – FUND



### Risk identified

The Fund has a significant holding in directly held UK properties, both freehold and leasehold (31 October 2022 valued at £548m). The valuation of these properties is based on assumptions such as rental returns, occupancy rates, geographical location and market trends.

We have assessed each of the sectors below to be a significant risk for the following reasons:

- **Industrial:** Investor appetite for the industrial and logistics markets cooled earlier in the year due to the amount of stock coming to market, the wider macroeconomic environment and the rising cost of debt. Agents commented that a lot of investors paused over the second half of 2022 and subsequently more assets are being quietly sold off market. Consequently, a lack of transactions has made it difficult to benchmark yield. However, expectations are that they have fallen appreciably.
- **Retail:** In the retail sector there has been a longstanding story of decline and value erosion in the sector along with an increase in online retailing. In addition, inflation, rising interest rates and recession fears are likely to take its toll on the retail market over the rest of 2023.
- **Offices:** Easing lockdown restrictions and the reduction in remote working meant the market continued to build back momentum throughout 2021, however the threat of recession, rising inflation and debt costs and a potential reduction in the appetite for lending against some sectors has resulted in several logistics portfolios and larger, mainly London based, office assets being withdrawn from the market, which implies that pricing expectations have not been met.
- **Hotels/leisure:** Hoteliers are facing a challenging trading environment due to increased costs, which they have managed to mitigate to date by driving the average daily rate per room higher on the back of increased occupancy. The sustainability of this is, however, likely to be tested as the increased cost of living will impact on consumers' disposable income.



### Response of those charged with governance

Professional surveyors and valuers, JLL, are engaged to value the property portfolio managed by Standard Life. There are regular valuation meetings held between Fund management and the valuers to monitor the Fund property.



### Deloitte response and challenge

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

- testing the design and implementation of controls around the valuation of direct properties by reviewing the controls operated in respect of monitoring the valuation of properties during the audit period;
- vouching the valuation of direct properties included within the Fund financial statements to the direct third-party confirmations provided by JLL, including an assessment of post balance sheet events and the impact on the valuation of the property portfolio;
- agreeing the directly held properties to title deeds to ensure the properties are held and in the name of the Fund/Authority, and vouch disposals to appropriate support;
- evaluating the qualifications, independence and experience of JLL to prepare the valuations and obtain their engagement terms; and
- utilising Deloitte Real Assets Advisory (“DRAA”) to review a sample of property valuations in detail.



# Significant risks

## Completeness and existence of investments – FUND



### Risk identified

The Fund holds a diversified portfolio of investment assets. This could lead to a risk of incomplete or inaccurate reporting of transactions or balances at the year end.

This has been elevated as a significant risk in the current year. Due to a large volume of investment transactions and significant movements in the market value, there is a risk that an omission may result in material misstatement in the investment balances. This is even more important because of the recent market turmoil with investment managers facing operational challenges due to a large number of reshuffling of the investment portfolio and mass disinvestment. There is a risk that the sales/purchase transactions may not be captured correctly or omitted completely, which may result in investment balances being incomplete or being materially misstated.



### Deloitte response and challenge

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

- performing design, implementation and operating effectiveness testing over the controls in place at material investment managers through the review of their internal controls reports;
- vouching year end valuations in the financial statements to the reports received directly from the investment managers;
- reviewing the custodian to investment manager reconciliations;
- vouching a sample of cash movements through to bank statements and third party confirmations; and
- performing an analytical review to assess the reasonableness of the investment return quoted in the draft accounts.



### Response of those charged with governance

The Fund has a dedicated team that deals with the management of the investment portfolio.

# Significant risks

## Valuation of pension liability – AUTHORITY



### 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.



### Response of those charged with governance

Third party experts, Hymans Robertson, are engaged to value the pension liability. Hymans Robertson are qualified actuaries and are highly experienced in modelling the valuation of pension liabilities.




### Deloitte response and challenge

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

- testing the design and implementation of the controls in place in relation to the review of the assumptions by the Authority;
- evaluating the competency, objectivity and independence of Hymans Robertson;
- engaging our in-house actuarial specialists, to assess the experience and capability of the team at Hymans Robertson and to review the methodology and appropriateness of the assumptions used in the valuation;
- reviewing the pension related disclosures in the financial statements; and
- ensuring that the pension assets and membership information is consistent with those in the Fund financial statements.

# Audit focus areas



02

# Audit focus areas

## Valuation of alternatives – FUND



### Risk identified

The Fund holds a large and material portfolio of alternative investments, including private equity, hedge and debt funds, as well as limited partnerships. These funds do not have publicly available prices and are often infrequently priced, increasing the risk of stale pricing. As a result of this we consider the completeness and valuation of these an audit focus area.



### Deloitte response and challenge

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

- reviewing the controls over the valuation of investments by obtaining the material investment manager and custodian internal controls reports (where applicable) and evaluating the implications for our audit of any exceptions noted;
- agreeing the year end alternatives valuations as reported in the financial statements to the reports received independently from the investment managers;
- agreeing the registered funds and quoted funds to publicly available prices;
- performing independent valuation testing for a sample of year end alternative funds by rolling forward the valuation as per the latest audited accounts using cashflows and an appropriate index as a benchmark; and
- ensuring appropriate stale price adjustments have been posted to the financial statements.

### Response of those charged with governance

The Fund has a dedicated team that deals with the management of the investment portfolio.

# Audit focus areas

## Valuation of directly held agricultural property – FUND



### Risk identified

There is a risk that directly held agricultural property is not held at fair value as the valuation of these investments includes an element of judgement on the part of the professional surveyor and valuer, Fisher German (as sub-contractor to JLL).



### Deloitte response and challenge

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

- testing the design and implementation of controls around the valuation of directly held agricultural properties by reviewing the controls operated in respect of monitoring the valuation of properties during the audit period;
- vouching the valuation of directly held agricultural properties included within the Fund financial statements to the direct third-party confirmations provided by Fisher German, including an assessment of post balance sheet events and the impact on the valuation of the property portfolio;
- agreeing the directly held agricultural properties to title deeds to ensure the properties are held and in the name of the Fund/Authority, and vouch disposals to appropriate support;
- evaluating the qualifications, independence and experience of Fisher German to prepare the valuations and obtain their engagement terms; and
- preparing an expectation of the year end valuation of each property held by the Fund/Authority using comparable regional market indices and comparing the expectation to the valuation provided by Fisher German. Where properties have a significant difference to our expected valuation, we will utilise DRAA to challenge the valuations provided by Fisher German and assess the detail and assumptions within the valuation report to support the valuations provided.

### Response of those charged with governance

Professional surveyors and valuers, Fisher German (as sub-contractors to JLL), are engaged to value the property portfolio managed by Bidwells. There are regular valuation meetings held between Fund management and the valuers to monitor the Fund property.

# Audit focus areas

## Completeness and accuracy of contributions – FUND



### 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.

### Response of those charged with governance

The Fund's administration team has controls in place to ensure contributions are collected. Most of the contributions are now collected through direct debit.



### Deloitte response and challenge

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

- performing 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 the average pay rise awarded in the year;
- for a sample of active members, recalculating the individual contributions deductions to ensure these are being calculated in accordance with the rates stipulated in the LGPS Regulations for employee contributions and the recommendations of the actuary for employer contributions;
- testing 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, checking that they have been paid within the due dates per the LGPS Regulations.

# Value for Money

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We are required to consider the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. In accordance with Code of Audit Practice 2020 and related Auditor Guidance Note 03, 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. Where relevant, we may include reporting on any other matters arising we consider relevant to VfM arrangements, which might include emerging risks or issues; and
- where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

AGN03 requires auditors to set out the results of their risk assessment as part of the audit planning report. Due to the timing of this meeting, it has not been possible to complete a full assessment prior to the issue of this paper, and we will report to a later Audit Committee the full results of our VfM planning assessment.

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# Revisions to auditing standards



03



# Revisions to auditing standards

## ISA (UK) 315 – Identifying and assessing the risks of material misstatement

The International Auditing and Assurance Standards Board (IAASB) issued a revised risk assessment standard in December 2019, that takes effect for periods commencing on or after 15 December 2021. For most entities, this will be December 2022 year ends and later. The FRC has adopted the standard in the UK with minimal additions.

The revision was made to respond to challenges and issues with the current standard and requires a more robust risk identification and assessment. We had already incorporated many of the changes into our methodology in advance of the standard being introduced, but we summarise on the next few slides some of the areas where this may impact our audit.

*“The IAASB recognizes the importance, and also the complexity, of the auditor’s risk assessment process”*

IAASB’s basis for conclusions, ISA 315

Area of change	Impact on our audit	Impact on the entity
New requirement to evaluate the 4 entity-level components of internal control	<p>Whilst we have always been required to gain an understanding of the entity and its environment, including its internal controls, the new standard is more prescriptive on the need to go further and evaluate the 4 entity level controls components: the entity’s control environment, risk assessment process, monitoring of internal control, and information system.</p> <p>This could lead to an increase in the number of relevant controls.</p>	<p>You will need to consider the adequacy of your entity-level controls, and documentation thereof.</p> <p>You should also expect more granular inquiries regarding the control environment.</p>
Enhanced consideration of the types of relevant controls	<p>Overall we expect to identify an increased number of relevant controls, particularly for controls designed to address risks at the higher end of the spectrum of inherent risk and controls over reconciliations. Where new relevant controls are identified, we may also identify control deficiencies and need to consider the effect of these.</p>	<p>We will review the controls relating to the valuation of the pension liability for the Authority, and the controls relating to the existence of investments for the Fund.</p>
Enhanced understanding of IT and General IT controls	<p>As we identify more relevant controls, it is likely there will be more relevant IT controls (e.g. automated controls) which themselves rely on underlying General IT Controls (GITCs).</p> <p>We may need more IT specialist involvement to gain an enhanced understanding of IT controls and GITCs, particularly where there are a high volume of automated transactions in the entity. Similarly, where new IT systems come into scope, the likelihood is that there will be an increase in the number of deficiencies identified and action will be needed to determine the appropriate response.</p>	<p>You should expect more challenge over the effectiveness of your GITCs.</p>
New approach to scoping account balances, classes of transactions and disclosures	<p>We may now identify some account balances as “material but not significant” where we do not identify a risk of material misstatement, but where we are required to perform some substantive testing.</p>	<p>Unlikely to impact the Fund and Authority.</p>

# Revisions to auditing standards

## ISA (UK) 315 – Identifying and assessing the risks of material misstatement

Area of change	Impact on our audit	Impact on the entity
Revised definition of a significant risk, focused on risks at the upper end of a spectrum of inherent risk	Although we do not routinely anticipate there being a significant increase in the number of significant risks identified, where there are more material judgements or estimates being made and a significant risk has not been identified previously, we may conclude there is a significant risk.	You will see the elevation of completeness and existence of investments to a significant risk as a result for the Fund and an elevation of the pension liability risk to a significant risk for the Authority.
Stand back requirement and increased focus on professional scepticism	Our audit approach already acknowledges that risk assessment is an iterative process as well as emphasising the importance of professional scepticism. We will use this as an opportunity to challenge ourselves on the evidence that professional scepticism has been applied through the risk assessment processes, including as part of the stand back assessment.	You should expect more challenge of the evidence provided in respect of our risk assessment, including revisiting this towards the concluding stage of the audit.

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# Revisions to auditing standards

## ISA (UK) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

The Financial Reporting Council (FRC) issued a revised fraud standard in May 2021, that takes effect for periods commencing on or after 15 December 2021 which will be for December 2022 year ends and later.

Many of the revisions provide increased clarity as to the auditor’s obligations and codify existing expectations or best practice. The updates to the ISA do not include any changes relating to proposals in the Government’s White Paper regarding auditor reporting on a statement by directors on the steps they have taken to prevent and detect material fraud.

We summarise on the next few slides how this will impact our audit.

Area of change	Impact on our audit	Impact on the entity
Fraud inquiries	<p>In addition to the pre-existing required enquiries, we are now explicitly required to make inquiries of management or others at the entity who handle whistleblowing.</p> <p>We also required to discuss the risks of fraud with those charged with the governance, including those risks specific to the entity’s business sector.</p>	<p>You should expect further challenge in relation to who we speak to in relation to fraud at the entity, including more focus on entity/sector specific risks if appropriate/applicable.</p>
Engagement team discussions	<p>The revised ISA (UK) emphasises that the pre-existing audit team fraud discussion should explicitly include an exchange of ideas about fraud, incentives to commit fraud, and how management could perpetrate and conceal fraud.</p> <p>There is also an explicit requirement for the engagement partner to consider whether further fraud discussions should be held at later stages of the audit.</p>	<p>You should expect increased challenge of the controls and processes in relation to the entity’s own fraud risk assessment and the documentation of that assessment.</p>
Identified or suspected fraud by a key member of management	<p>The revised ISA (UK) clarifies that if we identify or suspect fraud by a key member of management this may be qualitatively material.</p>	<p>Further challenge in relation to identified or suspected fraud by a key member of management.</p>
Involvement of specialists	<p>We are explicitly required to determine whether the engagement team needs specialised skills and knowledge:</p> <ul style="list-style-type: none"> <li>To perform the fraud risk assessment procedures, to identify and assess the risk of material misstatement due to fraud, to design and perform audit procedures to respond to those risks or to evaluate the audit evidence obtained; or</li> <li>Where a misstatement due to fraud or suspected fraud is identified.</li> </ul>	<p>We will continue to involve our actuarial specialists in the recalculation of a sample of lump sum benefits and transfers out.</p>

# Revisions to auditing standards

## ISA (UK) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

Area of change	Impact on our audit	Impact on the entity
Journal entry testing	<p>We were already required to test the appropriateness of journal entries and other adjustments made in the preparation of the financial statements and make inquiries of personnel.</p> <p>The revised ISA (UK) clarifies that our selection process should consider specifically manual journals and post-closing entries.</p> <p>The standard also emphasises that when making inquiries about inappropriate or unusual activity relating to the processing of journal entries and other adjustments, we should make inquiries of individuals with different levels of responsibility in the financial reporting process.</p>	<p>There will also be more inquiries with people at different levels of responsibility at the entity.</p>
Representations from those charged with governance	<p>We will request an additional representations from those charged with governance regarding their responsibilities for the prevention and detection of fraud.</p>	<p>You should expect updated representations from those charged with governance that they believe they have appropriately fulfilled their responsibilities to design, implement and maintain internal control to prevent and detect fraud.</p>

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# Our approach to quality



04

# Our approach to quality

## FRC Audit Quality Inspection and Supervision report

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. Audit quality is and will remain our number one priority and is the foundation of our recruitment, learning and development, promotion and reward structures.

In July 2022 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2021/22 cycle of reviews.

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

In that context, we are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement. 82% of all inspections in the current cycle were assessed as good or needing limited improvement, compared to 79% last year. Of the FTSE 350 audits reviewed, 91% achieved this standard (2020/21: 73%). This reflects our ongoing focus on audit quality, and we will maintain our emphasis on continuous improvement as we seek to further enhance quality.

We welcome the breadth and depth of good practice points identified by the FRC particularly those in respect of the effective challenge of management and group audit oversight, where the FRC also reports findings.

We are also pleased that previous recurring findings relating to goodwill impairment and revenue were not identified as key finding in the current FRC inspection cycle, reflecting the positive impact of actions taken in previous years. We nevertheless remain committed to sustained focus and investment in these areas and more broadly to achieve consistently high quality audits.

All the AQR public reports are available on its website: <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

### The AQR's 2021/22 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had made progress on actions to address our previous findings and made improvements in relation to its audit execution and firm-wide procedures. The firm has continued to show improvement, with an increase in the number of audits we assessed as requiring no more than limited improvements to 82% compared with 79% in the previous year and 80% on average over the past five years. It is also encouraging that none of the audits we inspected were found to require significant improvements.

The area which contributed most to the audits requiring improvement was the audit of estimates of certain provisions. There were also key findings in relation to group audits, the review and challenge by the Engagement Quality Control Review (EQCR) partner and the application of the FRC Ethical Standard."

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

### What we report

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

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

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Audit Committee.

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

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

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

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### 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  
17 February 2023



Page 56 **Topical Matters**





# Topical matters

## Pensions related fraud (1/3)

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

### Investment and misappropriation risks

- A trustee was removed by the sponsoring employer for claiming fictitious expenses on account of attending Audit Committee meetings and other related expenses.
- A fraudulent fishing email resulted in disinvestment of pension Fund funds and routed the cash to fraudsters bank accounts.

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

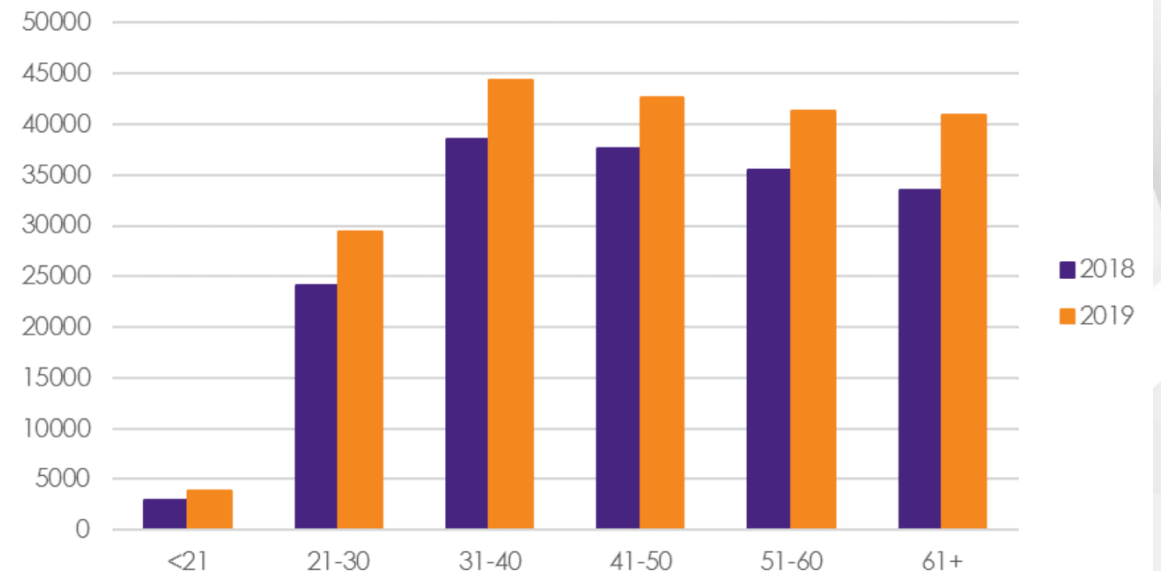
In February 2019, an accountant took over £280,000 from a pension Fund, for which he was a AC, to invest in one of his failing businesses. He falsified details of a meeting that approved it.

- In November 2018, a Chief Executive Officer (CEO) and trustee of a pension Fund was banned from being a trustee after a whistle-blower highlighted he was planning to invest £1.2 million of the pension fund in the firm he was CEO of and a major shareholder in.
- A pension fund based in Norfolk, UK covering 90,000 members largely from the local council, was part of a successful case to sue Los Angeles-based Puma Biotechnology and its CEO, who had made false claims which led to artificially inflating the share price. This resulted in a £50,000 loss to the pension fund (and a £100 million loss across all Defendants).
- An overnight loan was granted to a related party without appropriate approval. However the loan was returned subsequently and did not cause any significant financial loss to the Fund.

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

### Victims of Impersonation by age group



# Topical matters

## Pensions related fraud (2/3)

### Opportunistic pension fraud

- In 2013, The Sun newspaper, using an undercover reporter, was able to secure a death certificate and an official Indian record of death. Such records are available for as little as £300 from corrupt officials.
- In Russia in 2010, the wife of the ‘deceased’ presented a Russian death certificate to the British embassy to enable various frauds to take place.
- In 2014, a man was jailed for attempting to claim a £1 million life insurance policy using false death certificates from India.
- In 2019, a woman was convicted of continuing to claim her father’s war pension and other benefits after his death in 2004 amounting to a £740,000 loss.
- A daughter continued to claim her mother’s pension for two years after her death, defrauding the Pension Fund of over £7,500.

### Incompetent or corrupt pension administrators

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

Table 2 – Comparison of pension related overpayments 2012/13 to 2018/19

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

#### Pension liberation

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

#### National Fraud Initiative (NFI)

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

# Topical matters

## Pensions related fraud (3/3)

### Identity fraud

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

### Cyber-security risk

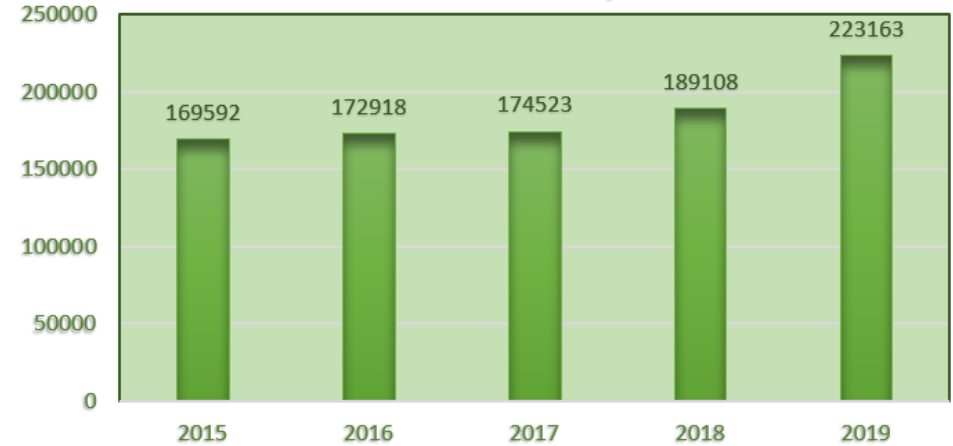
The data Pension Fund administrators hold would be very useful to fraudsters. There are a wide variety of risks that emerge as a result of increasing use of digital technologies to administer Pension Funds. These include:

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

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

- A UK man based in Berkshire hacked into the Orange County Employee Retirement Fund in the USA and diverted payments from some members to accounts he had set up in their name. Over £15,000 in pension payments per month were at risk from his fraud.
- In 2018, Equifax was hacked exposing 143 million accounts worldwide and 400,000 in the UK.
- System super-users access rights were granted to a few employees of a Pension Fund administrator to edit their own member records and those of each other. It was noted that Super-users edited theirs and each other's activity and no second formal review process or other mitigating controls were in place.

Cifas: Cases of Identity Fraud



# Appendices

## Key audit matters



# Appendix 1: 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 following risks:
  - Management override of controls (Fund and Authority);
  - Valuation of directly held commercial property (Fund);
  - Completeness and existence of investments (Fund); and
  - Valuation of the pension liability (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 Audit Committee 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.



### The Audit Committee

- How the Audit Committee exercises 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 2: 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 2023 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.

Our initial audit fee for the year ended 31 March 2023 is £31,833 for the Fund and the Authority. The fee reflected here is the scale fee. In line with PSAA correspondence that scale fees should be negotiated by individual s151 officers, we are in discussion with the Authority regarding the current level of fees which we deem to be too low given the size and complexity of the body.

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/Authority's policy for the supply of non-audit services or any apparent breach of that policy.

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

### Ethical Standard 2019

The standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are more than 10,000 members. As a result, non-audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.





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<b>Subject</b>	<b>Review of Accounting Policies 2022/23</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	02 March 2023
<b>Report of</b>	Deputy Treasurer		
<b>Equality Impact Assessment</b>	Not Required	Attached	Na
<b>Contact Officer</b>	Gillian Taberner Assistant Director Resources & Deputy Treasurer	<b>Phone</b>	01226 666420
<b>E Mail</b>	<a href="mailto:GTaberner@sypa.org.uk">GTaberner@sypa.org.uk</a>		

## 1 **Purpose of the Report**

- 1.1 To provide members of the Audit Committee with an opportunity to review and approve the accounting policies in line with best practice.
- 

## 2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Note the accounting policies to be used in the preparation of the Authority's Statement of Accounts in accordance with requirements set out in the CIPFA Accounting Code of Practice; and**
  - b. **Approve the introduction of a de-minimis threshold of £1,000 for accruals of income and expenditure.**
- 

## 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 review of accounting policies prior to the preparation of the annual statement of accounts contributes to effective and transparent governance.

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

- 4.1 This report does not address any specific corporate risks.

## 5 **Background and Options**

- 5.1 Accounting policies used in the preparation of our annual statement of accounts must comply with the Code of Practice for Local Authority Accounting in the United Kingdom produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5.2 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority. The Code sets out the proper accounting practices defined by Section 21(2) of the Local Government Act 2003. These proper practices apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.
- 5.3 The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority and is based on UK-adopted international accounting standards. On the few occasions where the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) considers it appropriate to adapt or interpret IFRSs, the accounting treatment is based on the approach in the memorandum of understanding between the relevant authorities.
- 5.4 The 2022/23 Code has effect for accounting periods commencing on or after 1 April 2022.
- 5.5 The accounting policies attached at Appendix A follow those prescribed by the 2022/23 Code and are tailored as appropriate to the circumstances of this Authority, to ensure that we include only those policies that are significant to an understanding of how transactions, other events and conditions are reflected in the reported financial performance and financial position of the Authority.
- 5.6 There are no changes arising from the 2022/23 Code that affect the accounting policies.
- 5.7 One change is proposed to introduce a de-minimis threshold of £1,000 in relation to the requirement to accrue for items of income and expenditure recognised in the year where the cash has yet to be received / paid. This change is being proposed in order to enhance the efficiency and effectiveness of the accounts closedown process whilst ensuring that the threshold amount is set at a level that would not have a material impact on the reporting of our financial position.
- 5.8 The introduction of the de-minimis threshold will mean that smaller, non-material items of income and expenditure, including those that recur on an annual basis and therefore a full year's amount is always included in each reporting period, do not have to be accrued separately, as long as not material by nature.
- 5.9 The consideration of materiality in this context takes account of the Code of Practice requirements in this respect – extract as follows:  
*Materiality*  
 Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific local authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority's financial statements..... judgements on whether matters are material are necessarily a matter for preparers. An authority can comply with the Code, while not complying with specific disclosure and accounting requirements in the Code, if the information is not material to the 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users.
- 5.10 As set out in the External Audit Plan Report elsewhere on the agenda, the level of materiality for the Authority for audit purposes is in the region of £128k and items of £6k or less are not reportable unless the auditors consider them material by nature.

- 5.11 The draft accounting policies will be reviewed by the external auditor as part of the audit of the 2022/23 Statement of Accounts. Any significant changes made to the accounting policies as a result of this review will be highlighted to the Committee at its July meeting.

## **6 Implications**

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

Financial	None directly; the accounting policies relate to the reporting of our financial performance and financial position.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Gillian Taberner**

**Assistant Director - Resources**

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

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## Appendix A

### Statement of Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 (the 2003 Act) primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

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

#### ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet, **subject to the relevant amount exceeding a de-minimis threshold of £1,000**. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

#### iii. Cash and Cash Equivalents

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

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

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

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

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

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

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

#### **v. Employee Benefits**

##### Benefits Payable During Employment

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

##### Termination Benefits

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

### Post-Employment Benefits

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

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

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

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

- Contributions paid to the Fund by the employer – cash paid as employer contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

#### Discretionary Benefits

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

#### **vi. Events After the Reporting Period**

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

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

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

#### **vii. Financial Instruments**

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

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

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

#### **viii. Intangible Assets**

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



## **ix. Property, Plant and Equipment**

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

### Impairment

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

### Depreciation

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

Depreciation is calculated on the following basis:

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

Items of property, plant and equipment are excluded from depreciation before they are available for use. Therefore Assets Under Construction are not depreciated. Once the asset is available for use (even if not in actual use yet) it is transferred to the relevant asset category within Property, Plant and Equipment and is subject to depreciation from the date of being available for use.

### Disposals

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

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

## **x. Leases**

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

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

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

### **Operating Leases - The Authority as Lessee**

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

## **xi. Overheads and Support Services**

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

## **xii. Provisions and Contingent Liabilities**

### Provisions

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

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

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

### Contingent Liabilities

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

**xiii. Reserves**

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

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

**xiv. VAT**

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

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<b>Subject</b>	<b>Progress Update on Actions Arising from Audit Reviews</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	02 March 2023
<b>Report of</b>	Team Leader - Governance		
<b>Equality Impact Assessment</b>	Not Required	<b>Attached</b>	Na
<b>Contact Officer</b>	Annie Palmer Team Leader Governance	<b>Phone</b>	01226 666404
<b>E Mail</b>	<a href="mailto:APalmer@sypa.org.uk">APalmer@sypa.org.uk</a>		

## 1 **Purpose of the Report**

- 1.1 To update Members on the actions being taken as agreed by management following audit review findings made by both internal audit and external audit during the current financial year and in previous financial years.
- 

## 2 **Recommendations**

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

## 3 **Link to Corporate Objectives**

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

### **Effective and Transparent Governance**

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

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

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

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

## 5 **Background and Options**

- 5.1 The Authority's Local Code of Corporate Governance sets out the framework in which the Authority complies with the seven principles of good governance; one of which is "*managing risks and performance through robust internal control and strong public financial management*". One aspect of achieving this is having arrangements for assurance and effective accountability in place and ensuring that recommendations made by both external audit and internal audit are acted upon.
- 5.2 The Audit Committee receives reports of the external auditor and of the Head of Internal Audit at regular intervals throughout the financial year. The report attached at Appendix A summarises the actions taken, and progress being made on implementing the actions agreed in response to audit findings during the current and previous financial years.
- 5.3 The tables in the attached Appendix A show the status and progress being made on the outstanding actions, as well as the actions that have been completed since the previous report, 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**

**Team Leader - Governance**

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

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

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Verification of Assets - Property Holdings	December 2022	<p>A number of variances found on reconciliation between records.</p> <p>Lack of an accurate and up to date record of property holdings within the Authority's Portfolio, increasing the risk of inaccurate financial records and misappropriation of assets held.</p>	<p>The nature of the agricultural portfolio with a large number of landholdings and farms does mean that there can be apparent variances and a need to investigate and reconcile these – sometimes arising just from different names used by different parties for parcels of land for example – and in recent years, we have undertaken a large exercise to map all of the agricultural portfolio properties to both title deeds and land registry references; this was examined in detail by our external auditors for their audit of our 2021/22 Annual Accounts and their work concluded satisfactorily.</p> <p>Following the finding above, we are now in the process of engaging with Bidwells, the agricultural property advisors, to investigate and resolve the variances in records held.</p>	<p>Service Manager Finance</p> <p>March 2023</p>
Treasury Management Policy	December 2022	<p>The Treasury Management Strategy for 2022/23 was not submitted to the South Yorkshire Pensions Authority for approval until 8th September 2022.</p> <p>Whilst discussions with key officers and a review of the Strategy revealed minimal changes since the Treasury Management Strategy for 2021/22, it is best practice to ensure that the Strategy is submitted to and approved by the Authority prior to commencement of the financial year to provide assurance that legislative, regulatory, and best practice requirements have been incorporated.</p>	<p>The delay in submitting the strategy for 2022/23 for approval was strictly a one-off occurrence, as a result of staffing shortages and there were no changes to any of the limits or policy from the previous year.</p> <p>The preparation of the 2023/24 Strategy involved a full review and refresh of the strategy, taking account of the latest CIPFA TM Code, and liaison with our TM advisors at Link and aligning any changes with the Authority's strategic objectives.</p> <p>The Treasury Management Strategy for 2023/24 was submitted to the February 2023 Authority meeting alongside the Budget and MTFS and was approved.</p> <p><b>Action Completed.</b></p>	<p>Service Manager Finance</p> <p>March 2023</p>

Progress Update on Audit Recommendations  
Appendix A

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Risk Management - Operational Procedures	November 2022	Lack of operational procedures and relevant training may result in uncertainty of roles and responsibilities, inconsistencies in processes, failure to adhere to requirements and/or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	<p>A new risk management software system has been purchased and implementation is taking place during spring 2023.</p> <p>Risk Management Training:</p> <ul style="list-style-type: none"> <li>a) Some internal training / guidance will be rolled out to service managers, beginning with a pilot phase in line with the implementation of the risk management software.</li> <li>b) Formal risk management training will be commissioned from an external provider to be delivered in-house for all managers.</li> </ul>	<p>Head of Governance</p> <p>April 2023</p>
Pensions Administration System - Action Logs		Failure to maintain an accurate and up to date Action Log, including the detailed actions required, by whom and when may result in a lack of clarity with regards to the actions required and a lack of a framework upon which these can be managed / monitored.	<p>Monthly Account meetings and regular Technical Groups have been operating for some time and are minuted. Initiated by SYPA and Cheshire Pension Fund, a new Strategic LGPS Meeting consisting of all LGPS Pension Manager clients and senior Civica representatives is being set up and a Terms of Reference have been provisionally agreed. The first meeting is scheduled for 26th May 2022 (with a pre-meet solely for LGPS Managers at the end of April) – This action has been completed</p> <p>The meetings will have a focus on current service performance (and resolution) as well as product and service development and will be held twice-yearly and chaired and minuted by Civica. Actions arising will be published for the benefit of all LGPS Pension Manager clients. This will be reviewed at the end of December 2022.</p> <p>Further information has been requested from Civica to feed into updating this action with a view to it being completed by the end of March 2023.</p>	<p>Assistant Director – Pensions/ Service Manager - Pensions Systems</p> <p>Revised to March 2023</p>



Progress Update on Audit Recommendations  
Appendix A

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
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.	This work was delayed slightly due to the departure of the Benefits Team Manager who was leading on the review internally and compiling data on service performance to feed into/be considered alongside the external review process. The new Benefits Team Manager is now in post so this work will re-commence.	Service Manager – Benefits  Revised to March 2023
Procurement Insurance - Legislative and Regulatory Compliance	29/10/2020	Legislative / regulatory compliance; absence of effective and robust management trail increases risk of potential supplier challenge.  Contract formalities – ensuring that contracts are signed / sealed in accordance with Contract Standing Orders (CSOs)	The 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 CSOs.  The Gateway approval document is currently being reviewed by Internal Audit as part of the Procurement Compliance (Follow Up) Review. Identified amendments to be considered and actioned accordingly prior to sharing with the training provider.  Current CSO's will be reviewed as part of the Constitution review with a more in depth review once the procurement bill comes into force, estimated at September 2023	Director, Assistant Director – Resources  Revised to April 2023
Information Governance - Records Management / Document Retention Policy	18/08/2020	Although a Records Management Policy is in place, it is acknowledged that this is currently lacking a sufficient level of detail to make it a practical basis for determining document retention for the many different categories of records across the organisation.	Some progress has been made in revising areas of Data Protection Policies with sign off of DPIA and Information Sharing Agreement. Throughout February activities will be undertaken to redraft Data Protection and Retention Policies, Data Breach and FOI process.	Assistant Director – Pensions  Revised to March 2023
Information Governance - Action Plan	18/08/2020	Lack of a framework upon which the Authority can monitor and evidence its progress in addressing the areas of non-compliance with GDPR requirements.	The process maps will be fully reviewed and potentially change format to avoid duplication of information held across the organisation.  Due to Governance Team capacity the process mapping has been delayed. This is a large scale activity; a more realistic target timescale for completion is the end of this calendar year.	Assistant Director – Pensions  Revised to December 2023

Progress Update on Audit Recommendations  
Appendix A

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Information Governance - Records Management		A more detailed Records Management/Document Retention Policy will therefore be developed his will include a review of the current wording of the Privacy Notice to ensure consistency with the new Policy.	<p>The policy review is planned to be completed by March 2023, however the overall review of the detailed records management system is a bigger piece of work. Due to Governance Team capacity this area has been delayed. This is a large scale activity, a realistic timescale would be Q3 2023.</p> <p>Exploratory activity will commence in Q2 onwards to identify a DP software system with the capacity to create asset registers, process maps and potential macro functionality to retention, deletion, archiving and safe disposal of personal data.</p>	<p>Assistant Director – Pensions</p> <p>Revised to December 2023</p>

Table 2: Actions Fully Completed Since Last Report

Audit Review Title	Report Issued Date	Finding / Implication	Agreed Management Action (AMA) Progress Update	Officer Responsible and Timescale
Accounts Payable - Operational Procedures		Lack of up-to-date operational procedures may result in a lack of clarity with regards to new processes, an uncertainty of roles and responsibilities and failure to adhere to requirements and / or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity	All the procedures have now been completed by the team and are up to date. The Finance Team Leader has reviewed all the Procedures and the Financial Services Manager has done an existence check on them.  <b>AMA completed.</b>	Service Manager Finance  Completed January 2023
DPO Survey – GDPR Staff Awareness		Staff Awareness in regard to individual roles and responsibilities regarding GDPR requirements.	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.  All staff have now completed training.  <b>AMA completed.</b>	Assistant Director – Pensions  Completed January 2023
Financial Management System - Operational Procedures		Lack of up-to-date operational procedures may result in a lack of clarity with regards to new processes, an uncertainty of roles and responsibilities and failure to adhere to requirements and / or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	All the procedures have now been completed by the team and are up to date. The Finance Team Leader has reviewed all the Procedures and the Financial Services Manager has done an existence check on them.  <b>AMA completed.</b>	Service Manager Finance  Completed January 2023
HR Governance - Workflow / Reminders	20/12/21	Review and streamline workflow process, enabling a central system that will prompt appraisers of the annual timelines. To be a key part of the system specification for the new HR system.	<b>AMA completed.</b>	Assistant Director – Resources  Completed December 2022

Progress Update on Audit Recommendations  
Appendix A

Audit Review Title	Report Issued Date	Finding / Implication	Agreed Management Action (AMA) Progress Update	Officer Responsible and Timescale
Investment Income - Operational Procedures		Lack of up-to-date operational procedures may result in uncertainty of roles and responsibilities, inconsistencies in processes, failure to adhere to requirements and/or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	All the procedures have now been completed by the team and are up to date. The Finance Team Leader has reviewed all the Procedures and the Financial Services Manager has done an existence check on them.  <b>AMA completed.</b>	Service Manager Finance  Completed January 2023
Main Accounting - Operational Procedures		Lack of up-to-date operational procedures may result in a lack of clarity with regards to new processes, an uncertainty of roles and responsibilities and failure to adhere to requirements and / or a lack of appropriate approvals. In addition, in the absence of key staff, this could impact on business continuity.	All the procedures have now been completed by the team and are up to date. The Finance Team Leader has reviewed all the Procedures and the Financial Services Manager has done an existence check on them.  <b>AMA completed.</b>	Service Manager Finance  Completed January 2023



<b>Subject</b>	<b>Audit Committee Annual Report 2022/23</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	02 March 2023
<b>Report of</b>	Clerk Head of Governance		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Jo Stone Head of Governance	<b>Phone</b>	01226 666418
<b>E Mail</b>	<a href="mailto:jstone@sypa.org.uk">jstone@sypa.org.uk</a>		

## 1 **Purpose of the Report**

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

## 2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Approve the Annual Report of the Audit Committee for 2022/23 as attached at Appendix A; and**
  - b. **Delegate to the Head of Governance approval to update the Annual Report for publication to reflect the attendance at and outcomes of this meeting and the final outcomes of internal audit reviews completed by the end of the year.**
- 

## 3 **Link to Corporate Objectives**

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

### **Effective and Transparent Governance**

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

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

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

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

## **5 Background and Options**

- 5.1 The Audit Committee has a central role in the processes for the production of the Authority's Annual Governance Statement (AGS) and a number of the functions which it performs are a key part of the provision of assurance which underlies the process of producing the AGS. In order to provide assurance that the Committee is fully meeting its responsibilities it is good practice for an Annual Report on the Committee's work to be produced.
- 5.2 A draft Annual Report on the Committee's work during the 2022/23 Municipal Year is attached for approval at Appendix A.
- 5.3 The report will be updated to reflect the activity undertaken at this meeting. Members are also advised to note that Appendix C within the report shows the results of internal audit reviews for 2022/23 and permission is requested for officers to update this table with results of further reviews completed by the end of the year to reflect the outturn position on the level of assurance provided.
- 5.4 Following these updates, the report will be published on the Authority's website and will form part of the evidence base for the production of the Annual Governance Statement.

## **6 Implications**

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

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Sarah Norman**

**Jo Stone**

**Clerk**

**Head of Governance**

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



Audit Committee  
Annual Report  
2022/23  
March 2023

## **Foreword**

I am pleased to present the annual report of the Authority's Audit Committee covering the Committee's activity during the 2022/23 financial year. Reporting on the Committee's work in this way contributes to the process of assurance gathering which is used to produce the Authority's Annual Governance Statement and demonstrates the robustness of the overall governance arrangements that are in place.

Councillor Garry Weatherall

Chair

Audit Committee – South Yorkshire Pensions Authority



## **1. Introduction**

This report is produced in order to provide stakeholders with information on the work of the Committee over the 2022/23 Municipal Year and to support the process of assurance gathering required in order to produce the Authority's Annual Governance Statement.

It outlines the Committee's:

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

## **2. Committee Information**

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

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

To fulfil the following core audit committee functions:

- a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- b) Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- c) Be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- d) Approve (but not direct) internal audit's Charter and annual plan.
- e) Monitor performance against internal audit's Charter and annual plan.
- f) Review summary internal audit reports and the main issues arising and seek assurance that action had been taken where necessary.
- g) Receive the annual report of the Head of Internal Audit.
- h) Consider the annual reports of external audit and inspection agencies.
- i) Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.
- j) Review financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- k) To oversee the production of and approve the Authority's Annual Governance Statement.
- l) To review and approve the annual Statement of Accounts and the Authority's Annual Report, focusing on:
  - i. The suitability of, and any changes in accounting policies.
  - ii. Major judgemental issues e.g. provisions.
- m) To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.
- n) Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

## **Membership**

The Committee's membership at the end of March 2023 was:

Councillor Garry Weatherall (Chair)

Councillor Roy Bowser

Councillor Simon Clement-Jones

Councillor Steve Cox

Councillor Marnie Havard

Councillor David Nevett

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

Nicola Doolan-Hamer (Unison)

Doug Patterson (Unite)

Garry Warwick (GMB)

## **Committee Meetings and Attendance**

The Committee held three meetings during the municipal year (July 2022, October 2022 and March 2023). The business conducted reflected the terms of reference and the pattern of work of the Authority's Internal and External Auditors. The schedule of Members' and Officers' attendance is attached as Appendix A.

Councillor Garry Weatherall was appointed by the Authority to Chair the Committee.

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

Members of the Committee undertook a training session on the role of an Audit Committee member provided by CIPFA during February 2023 in support of their ongoing development and ongoing work to review and further develop the Committee's role.

## **3. Committee Work Programme and Outcomes**

The Committee maintains a broad programme of work for its main areas of activity. The reports received during 2022/23 are shown in *Appendix B*; the outcomes of the Committee's work in relation to these are summarised below. The "boxed" bullet points in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Committee has achieved its responsibilities.

### **Risk Management and Internal Control**

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

The Committee has:

- Completed the Annual Review of the Authority's Risk Management Framework in October 2022; no significant revisions were implemented.
- Received regular progress reports from the Head of Internal Audit on internal control matters.
- Received regular reports on progress against audit recommendations.
- Considered the results of the review of internal control and internal audit for 2021/22.

### **Internal Audit and External Audit**

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

In relation to Internal Audit, the Committee has:

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

The schedule of Internal Audit Review Results 2022/23 at Appendix C summarises the outcomes of Internal Audit Activity during the year.

In relation to External Audit, the Committee has:

- Received reports from Deloitte on their Audit Plans for the Authority and their Annual Report which was recommended to the Full Authority for consideration.
- Received regular progress reports from Deloitte
- Approved Deloitte's fee for the financial year 2022/23.

### **Statement of Accounts**

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

The Committee has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2021/22;
- Reviewed and approved the Authority's Statement of Accounts and Annual Report and letter of representation for 2021/22;
- Received and approved Deloitte's Report on the 2021/22 Audit, and their Annual Report 2021/22 which includes their findings and conclusion on the Authority's Value for Money arrangements. No recommendations were made in either report.

### **Working Arrangements**

Members considered and agreed the Committee's Annual Report for 2021/22 which was then published on the Authority's website.

As part of considering the Annual Report, members considered the extent to which its arrangements remained robust.

## Appendix A

### Member and Officer Attendance at Audit Committee Meetings 2022/23

Member/Officer	28 July 2022	20 October 2022	02 March 2023
Councillor Garry Weatherall	✓	Note 1	
Councillor Roy Bowser	Note 1	✓	
Councillor Simon Clement-Jones	✓	✓	
Councillor Steve Cox	✓	Note 1	
Councillor David Nevett	✓	Note 2	
Councillor Marnie Havard	✓	✓	
Nicola Doolan-Hamer	✓	✓	
Doug Patterson	✓	Note 1	
Garry Warwick	✓	✓	
Director – George Graham	✓	✓	
Assistant Director - Resources (Deputy Treasurer) Gillian Taberner	✓	✓	
Head of Governance (Monitoring Officer from 01/01/2023) – Jo Stone	✓	✓	
Financial Services Manager – Will Goddard	✓	✓	
Treasurer (s73 Officer) Neil Copley, Barnsley MBC	Note 1	Note 1	
Monitoring Officer to 31/12/2022 Jason Field, Barnsley MBC	Note 1	Note 1	N/a
External Audit (Deloitte)	✓	✓	
Internal Audit (Barnsley MBC)	✓	✓	

#### Notes

1. Apologies
2. Acted as Chair for the meeting

## Appendix B

### Committee Activity

Function/Issue	28 July 2022	20 October 2022	02 March 2023
<b>Risk Management</b>			
Annual Review of the Risk Management Framework		Noted	
<b>Governance and Internal Control</b>			
Data Protection Officer's Annual Report			
Annual Review of the Governance Compliance Statement		Approved	
Progress on delivering the 2021/22 Annual Governance Statement Action Plan			
Progress on Implementation of Audit Recommendations	Noted	Noted	
Annual Procurement Report			
<b>Internal Audit</b>			
Progress Report	Noted	Noted	
External Quality Assessment			
Annual Report 2021/22	Noted		
Internal Audit Charter	Noted		
Internal Audit Plan 2023/24			
<b>External Audit</b>			
Auditor Appointment Process		Noted	
Status Report on the 2021/22 Audit	Noted		
Final Report on the 2021/22 Audit		Noted	
Annual Audit Report 2021/22	Noted and recommended to the Authority		
External Audit Plan 2022/23			
<b>Statement of Accounts</b>			
Audited Annual Report and Statement of Accounts 2021/22	Approved		
Letter of Representation	Approved		
<b>Committee Working Arrangements</b>			
Audit Committee Annual Report 2022/23			

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

## **Appendix C**

### ***Results of Internal Audit Reviews 2022/23***

<b>Review Topic</b>	<b>Assurance Level</b>	<b>Number and Priority of Findings</b>
Pensions Administration Online Retirement Tool C/fwd from 2021/22	Substantial	3 Low Priority
Finance Financial Management System Post Implementation Review C/fwd from 2021/22	Reasonable	1 Medium Priority
Finance Pensions Payroll C/fwd from 2021/22	Substantial	1 Medium Priority
Finance Transfer Values	Substantial	None
Finance Verification of Assets	Reasonable	1 Medium Priority
Finance Treasury Management	Reasonable	1 Medium Priority, 1 Low Priority
Finance Budget Management / Monitoring	Reasonable	3 Medium Priority
Authority Wide Risk Management	Reasonable	1 Medium Priority, 2 Low Priority
Pensions Administration Annual Benefits Statement Process	Reasonable	1 Medium Priority, 1 Low Priority

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## Agenda Item

<b>Subject</b>	<b>Audit Committee Terms of Reference and Work Cycle 2023/24</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	02/03/2023
<b>Report of</b>	Head of Governance		
<b>Equality Impact Assessment</b>	Not Required	Attached	Na
<b>Contact Officer</b>	Jo Stone Head of Governance	<b>Phone</b>	01226 666418
<b>E Mail</b>	<a href="mailto:jistone@sypa.org.uk">jistone@sypa.org.uk</a>		

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

- 1.1 To present for Members' consideration and approval a new Audit Committee Terms of Reference that reflects the practice and principles set out in the CIPFA Position Statement 2022: Audit Committees in Local Authorities and Police.
- 1.2 To propose a work cycle for the 2023/24 municipal year that aligns with the above.

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### **2 Recommendations**

- 2.1 Members are recommended to:
  - a. **Approve the adoption of the Audit Committee Terms of Reference attached at Appendix A which reflect the practice and principles of the CIPFA Position Statement 2022;**
  - b. **Consider and decide on whether to change the name of this Committee to the Audit and Governance Committee; and**
  - c. **Approve the Work Cycle 2023/24 – noting that this now includes 4 meetings per year.**

---

### **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.
- 3.2 The terms of reference and work cycle proposed are designed to ensure that robust arrangements in line with best practice are in place to uphold effective governance.

### **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, the proposals are part of the overall framework of governance and risk management at the Authority.

## **5 Background and Options**

- 5.1 The Audit Committee's role and responsibilities are set out in the Authority's Constitution. In order to supplement this with enhanced level of detail and to ensure that we adopt the practice and principles set out in CIPFA's 2022 Position Statement on Audit Committees in Local Authorities, a Terms of Reference has been developed. See draft attached at Appendix A.
- 5.2 The terms of reference document has been developed in line with the Position Statement, and with advice from CIPFA's Better Governance Forum adviser, Diana Melville, and review and advice from the Head of Internal Audit and the Internal Audit Manager.
- 5.3 The following changes are brought to Members' attention.

### *Committee Name*

- 5.4 It is suggested that Members consider the title of this Committee and in particular the idea of changing the name to the Audit and Governance Committee in order to more accurately reflect the scope and focus of the Committee – which includes various aspects of the wider governance framework and arrangements at the Authority in addition to audit matters. This is highlighted in red font in Appendix A.

### *Frequency of Meetings*

- 5.5 Paragraph 4.1 of Appendix A sets out that the Committee shall meet at least four times per year. This is in line with the CIPFA position statement and will represent a change, as until now the Committee has met only three times per year.
- 5.6 A proposed calendar and cycle of meetings is set out at Appendix B to reflect the above.

### *Independent Member and Quorum*

- 5.7 The CIPFA position statement and best practice requires that the Audit Committee should have two independent members. The Head of Governance is currently working on a search for volunteer independent members to fulfil this requirement. It is not yet known whether it will be possible to have two independent members or just one, which may be appropriate considering the size and single purpose of this Authority. Members will be updated on progress in due course.
- 5.8 Pending the outcome of the above, the quorum for meetings of the Committee set out in paragraph 5.1 of the terms of reference will be updated accordingly.

## **6 Implications**

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

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Jo Stone**

**Head of Governance**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
CIPFA Position Statement 2022	CIPFA Website: <a href="https://www.cipfa.org/-/media/Files/Services/Support-for-audit-committees/CIPFA-Audit-Committee-Position-Statement-2022.pdf">https://www.cipfa.org/-/media/Files/Services/Support-for-audit-committees/CIPFA-Audit-Committee-Position-Statement-2022.pdf</a>

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## South Yorkshire Pensions Authority

### Audit Committee -or- Audit and Governance Committee

#### Terms of Reference

##### 1. Background and Purpose

South Yorkshire Pensions Authority has appointed an Audit Committee under Article 6 of Part 2 to the Constitution. The Audit Committee is directly accountable to the Authority.

1.1 The Audit Committee is a key component of the Authority's governance framework. The purpose of this Committee is to provide an independent and high-level focus on the adequacy and effectiveness of the Authority's governance, risk, and control arrangements.

- 1.1. The overall role and purpose of the Audit Committee shall be:
  - a. To provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.
  - b. To advise and report to the Authority on the adequacy and effectiveness of the Authority's assurance arrangements, framework of governance, risk management and control processes for the economic, effective and efficient use of resources to achieve Value for Money.
  - c. To advise and support the Authority in explaining in its annual reports the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.

##### 2. Membership, Terms of Appointment and Attendance

- 2.1 The Audit Committee shall comprise six members together with the three co-opted members as identified in Article 2.1(b) of the Constitution.
- 2.2 The Audit Committee is established so that it is independent of executive decision making and able to provide objective oversight.
- 2.3 The Chair of the Authority may not be a member of the Audit Committee.
- 2.4 The Audit Committee should include where possible an appropriate mix of skills and experience to allow it to discharge its collective duties effectively. Committee members are required to attend training to enhance their knowledge and experience in relevant subjects, including financial reporting, treasury management, and roles and responsibilities in relation to audit in line with the knowledge and skills framework requirements; as well as LGPS mandatory training covering governance, risk management, the system of control, and the responsibilities of the Audit Committee.

- 2.5 The Audit Committee shall have an appropriate level of influence within the Authority. The Committee shall have rights of access to and constructive engagement with other functions of the Authority and have the right to request reports and seek assurances from relevant officers.
- 2.6 The Head of Governance shall provide legislative and regulatory advice and the Governance Officer shall provide the administrative support to the meetings.
- 2.7 The Director, the Assistant Director – Resources, the Head of Governance (Monitoring Officer) and the Financial Services Manager will attend all meetings of the Audit Committee. Regular attendees will also include other appropriate officers of the Authority, the Head of Internal Audit (or representative), and the appointed External Auditor. Other elected members of the Authority may attend meetings by arrangement with the Director, Head of Governance (Monitoring Officer) and Chair of the Audit Committee but shall not have a vote or count towards the quorum.
- 2.8 The Committee shall have the right to call on any other officers or agencies of the Authority to attend as required.

### **3. Election of Chair and Vice Chair**

- 3.1 The Chair of the Committee is the Vice Chair of the Authority and will be nominated for approval at the annual Authority meeting.

### **4. Frequency and Conduct of Meetings**

- 4.1 The Audit Committee shall meet at least four times a year and have a clear understanding on those items to be considered in private and those to be considered in public. The meetings will be scheduled annually in advance, to align with timely reporting to the next meeting of the Authority.
- 4.2 Committee meetings will be conducted in accordance with The Constitution, Standing Orders, and the Terms of Reference.
- 4.3 The Audit Committee may convene meetings and / or identify confidential agenda items to enable private and candid discussions and questioning of the Authority's internal and external auditors with or without management present.
- 4.4 The Committee shall report annually on how it has complied with the position statement, discharged its responsibilities, and this report shall include an assessment of its performance. The report shall be made publicly available and published on the Authority's website.

### **5. Quorum**

- 5.1 The quorum for meetings of the Audit Committee shall be **three** members (including independent members). *[Note – this will be reviewed pending*

*appointment of independent member/s].* Under S13 of the Local Government and Housing Act 189, all decisions will be made by the Authority with recommendations from the Audit Committee Chair.

## 6. Responsibilities of the Audit Committee

### 6.1 *Maintenance of governance, risk, and control arrangements:*

- a. Support and promote a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance and the Authority's [Local Code of Corporate Governance](#).
- b. Consider the adequacy, effectiveness and efficiency of the Authority's risk management arrangements. The Committee should understand the risk profile of the organisation and seek assurances that effective arrangements are in place to identify and manage risks to the organisation, both for the Authority and for its collaborative arrangements.
- c. Consider the adequacy, effectiveness and efficiency of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics, and obtaining assurance regarding the Authority's exposure to and response to the risks of fraud and corruption.
- d. Monitor and oversee the adequacy, effectiveness and efficiency of the information governance framework including compliance with legislative requirements in relation to data breaches, Data Protection Impact Assessments (DPIA) and Data Subject Access requests (DSAR). Receive annual report from the external DPO to provide assurance of data protection compliance, processes and systems.

### 6.2 *Financial and governance reporting:*

- a. Under the Code of Practice on Local Authority Accounting in the UK, be satisfied that the Authority's accountability statements, including the Annual Governance Statement (AGS), properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the Authority's objectives.
- b. The responsible financial officer is required by statutory provision to sign the annual statement of accounts to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. These are the unaudited accounts.
- c. CIPFA recommends that it is good practice for both the accounts and the draft AGS to be reviewed by the audit committee prior to the commencement of the external audit. The draft accounts shall be

provided to Committee members prior to the external audit; this may fall outside of the meeting cycle. The draft AGS shall be considered, commented upon and challenged as appropriate by the Committee prior to the external audit.

- d. The Committee is designated as Those Charged with Governance (TCWG) and will formally approve the financial statements after the completion of the external audit, prior to publication.
- e. Consider the maintenance of adequate, effective and efficient arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

6.3 *Establishing appropriate and effective arrangements for audit and assurance:*

- a. Consider the arrangements in place to secure adequate, effective and efficient assurance across the body's full range of operations and collaborations with other entities.
- b. In relation to the Authority's internal audit functions:
  - i. Consider and obtain assurance regarding its independence, objectivity, performance, and conformance to Public Sector Internal Audit Standards (PSIAS).
  - ii. Consider and be satisfied as to the effective use of internal audit within the overall assurance framework. This may include independent, external evaluation periodically.
  - iii. Approve (but not direct) the annual Internal Audit plan.
  - iv. Monitor performance against Internal Audit's Charter and Annual Plan and receive the Annual Report and periodic reports of the Head of Internal Audit.
  - v. Monitor progress against management actions agreed in response to the internal audit reports.
- c. Safeguard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed, but the Committee's role will be to monitor on an annual basis, or more often when required.
- d. The Committee should discuss with the external auditor their assessment of threats to independence and any safeguards. The potential threats are self-interest, self-review, management, advocacy, familiarity, or intimidation threats.



- e. Consider the opinion, reports, and recommendations of external audit and those of any inspection agencies, and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- f. Ensure regular communication between the Chair and internal / external auditors and ensure that both internal and external audit have access to the Chair as required.
- g. Consider and monitor the operation of adequate, efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- h. Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review, and accountability.

## **7. Other Responsibilities**

- 7.1 The adoption of the CIPFA Position Statement on Audit Committees and compliance with the practice and principles therein. The statement sets out the purpose, model, core functions and membership of the audit committee.
- 7.2 To determine, implement and evaluate the annual work plan to achieve the responsibilities of the Audit Committee.
- 7.3 To conduct an annual review of its performance against these Terms of Reference and the annual work plan.
- 7.4 To participate in related training and development activities to fulfil its remit effectively.
- 7.5 Minutes of the Audit Committee meeting (agreed by the Chair) shall be submitted for information at the subsequent Authority meeting.

## **8 Powers of the Audit Committee**

- 8.1 The Audit Committee shall have the powers set out in the Scheme of Delegation in the Constitution of the Authority.

**Summary of Workplan Items for the Audit Committee**

<b>Item</b>	<b>Approved by the Audit Committee</b>	<b>Review and / or recommend to the Authority for approval</b>
<b>Appointment of Independent Assurance Providers E.g., internal, and external audit</b>		✓
<b>External Auditor's Annual Audit Plan</b>	✓	
<b>External Auditor's Annual Report</b>	✓	
<b>Letter of Representation to External Auditor</b>	✓	
<b>Internal Audit Plan</b>	✓	
<b>Head of Internal Audit Annual Report</b>	✓	
<b>Annual Audited Financial Statements</b>	✓	
<b>Anti-Fraud Policy</b>		✓
<b>Health &amp; Safety Policy</b>		✓
<b>Whistle Blowing Policy</b>		✓
<b>Annual Review of Risk Management Framework</b>		✓
<b>Audit Committee Annual Report</b>		✓
<b>Review Assurance Statements including Annual Governance Statement</b>		✓
<b>Review Reports Relating to Information Governance</b>		✓
<b>Committee Terms of Reference and Annual Work Plan</b>		✓

Appendix B

<b>Audit Committee - Work Cycle 2023/24</b>		
<b>Date of meeting</b>	<b>Time</b>	<b>Venue</b>
Thursday 27 July 2023	10:00 - 12:00	Oakwell House
Thursday 21 September 2023	10:00 - 12:00	Oakwell House
Thursday 14 December 2023	10:00 - 12:00	Oakwell House
Thursday 07 March 2024	10:00 - 12:00	Oakwell House

**July 2023 Meeting**

External Audit - Status Report on 2022/23 Audit  
 Internal Audit Annual Report 2022/23  
 Internal Audit Charter 2022 to 2025  
 Internal Audit Progress Report 2023/24 Q1  
 Agreed Management Actions Progress Report  
 Authority Annual Report 2022/23

**September 2023 Meeting**

External Audit - Final Report on 2022/23 Audit  
 External Audit - Annual Report 2022/23  
 Approval of the Audited Statement of Accounts 2022/23  
 Letter of Representation 2022/23  
 Internal Audit Progress Report 2023/24 Q2  
 Agreed Management Actions Progress Report

**December 2023 Meeting**

Internal Audit Progress Report 2023/24 Q3  
 Progress on Agreed Management Actions Report  
 Annual Review of Governance Compliance Statement 2022/23  
 Annual review of Risk Management Framework 2023/24  
 Information Governance Update 2023/24

**March 2024 Meeting**

External Audit Plan 2023/24  
 Internal Audit Progress Report 2023/24 Q4  
 Internal Audit Plan 2024/25  
 Progress on Agreed Management Actions Report  
 Progress on Annual Governance Statement Action Plan 2022/23  
 Annual Procurement Report 2023/24  
 Audit Committee Annual Report 2023/24  
 Review Terms of Reference and Work Cycle 2024/25

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