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NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Audit & Governance Committee to be held at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG on Thursday, 14 December 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: Governance Team   Tel: 01226 666405
                                      Email: Governanceteam@sypa.org.uk

WEBCASTING NOTICE

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Distribution

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

Contact Details

For further information please contact:

Governance Team
South Yorkshire Pensions Authority
Oakwell House
2 Beevor Court
Pontefract Road
Barnsley,
S71 1HG

Tel: 01226 666405
Governanceteam@sypa.org.uk

AUDIT & GOVERNANCE 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 & GOVERNANCE COMMITTEE

THURSDAY, 14 DECEMBER 2023 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

Agenda: Reports attached unless stated otherwise

	Item	Pages
	Committee Administration	
1.	Welcome, Introductions and Apologies	
2.	Announcements	
3.	Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4.	Items to be considered in the absence of the public and press To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting.)	
5.	Declarations of Interest	
6.	Minutes of the meeting held on 21 September 2023	5 - 10
	EXTERNAL AUDIT	
7.	Introduction to KPMG	Verbal Report
	INTERNAL AUDIT	
8.	2023/24 Quarter 3 Internal Audit Progress Report	11 - 20
9.	Internal Audit Transformation - Presentation	Verbal Report
	GOVERNANCE	
10.	Local Code of Corporate Governance	21 - 40
11.	Annual Review of Risk Management Framework 2023/24	41 - 62
12.	Progress on Agreed Management Actions	63 - 70

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

21 SEPTEMBER 2023

PRESENT: M Havard (Rotherham MBC) (Chair), Councillors: Cllr S Clement-Jones (Sheffield City Council), Cllr S Cox (Sheffield City Council), Cllr D Nevett (City of Doncaster Council)

Trade Union: N Doolan-Hamer (Unison)

Officers in Attendance: G Graham (Director) G Taberner (Assistant Director – Resources and Chief Finance Officer) W Goddard (Head of Finance)

N Wright (Deloitte)

S Bradley (Barnsley MBC)

C Hollins (Barnsley MBC)

1) APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were received as follows:

G Warwick (GMB) and Cllr R Bowser (Barnsley MBC)

2) ANNOUNCEMENTS

None.

3) URGENT ITEMS

None.

4) ITEMS TO BE CONSIDERED IN THE ABSENSE OF THE PUBLIC AND PRESS

None.

5) DECLARATIONS OF INTEREST

None.

6) MINUTES OF THE MEETING HELD ON 27 JULY 2023

RESOLVED: That the minutes of the meeting held on 27 July 2023 be agreed as a true record.

7) INTERNAL AUDIT PROGRESS REPORT 2023/24 QUARTER 2

C Hollins delivered the report on Internal Audit Progress 2023/24 Quarter 2.

The report is reflective of the work to date and at the time of producing the report there were two planned assignments, both of which have been completed.

Key points to note:

- The follow up for procurement compliance is at draft final report stage. The draft report has been discussed and actions have been agreed, but due to management capacity this has not yet been finalised. An update will be provided at the next meeting.
- All Q2 audits have now commenced, and the team will look to schedule time in for Q3 audits with managers in the next few weeks.
- 19 agreed management actions had been followed up in the period and internal audit have no concerns around this process, there is good communication from management, actions are progressed and regular updates provided.

RESOLVED: Members received and noted the report.

8) INTERNAL AUDIT EFFECTIVENESS REPORT

S Bradley presented the Internal Audit Effectiveness Report.

This report provides an update on the implementation of actions from the last External Quality Assessment (EQA) further to previous report on this presented in October 2022.

In presenting the report, the Internal Audit Manager highlighted the following key points to note:

- Undertaking an assessment against the Public Sector Internal Audit Standards (PSIAS) is an important requirement to ensure we can demonstrate professional standards are being met. A Service Transformation Review is currently being undertaken and once this has been concluded and any changes embedded, a self-assessment against the PSIAS will be undertaken to provide reassurance that we are fully compliant. Global standards are currently out for consultation to be updated, the aim is to complete the self-assessment against the latest standards.
- There are two actions that are not yet fully completed. One relates to the use of data analytics which is part of the Services Transformation Review plan and will be implemented by 31 March 2024. The second relates to using the intranet for disseminating information. A task and finish group has been established to develop an approach and templates to be launched by 31 March 2024.

RESOLVED: Members received and noted the report.

9) EXTERNAL AUDITORS FINAL REPORT ON THE 2022/23 AUDIT

N Wright presented the External Auditors Final Report on the 2022/23 Audit.

This is the closing audit for the year ended 31 March 2023 and this report is the same one which was presented at the last meeting but with updated conclusions following completion of the remaining audit work.

In presenting the report, the External Auditor highlighted the following key points to note:

- The audit is essentially finished subject to clearance of internal quality control and review procedures. It is currently anticipated that an unmodified opinion will be issued.

- There is one open query in relation to the IAS19 Pension accounting and disclosure in the Authority accounts. This is a highly complex issue arising this year due to having a pension asset for the first time. There is limited guidance available. The overall approach to the accounting for the pensions asset was agreed as reasonable but the audit team and management are not just in the process of resolving a technical matter concerning the actuarial calculation of the asset value to be applied – this is expected to be resolved very soon.

- Work is complete on the significant audit risks and there are no matters to bring to the Authorities attention.

- In relation to the Investment testing there was a stale price difference of £46million. This must be reported to those charged with governance but is not material for the Fund Accounts and therefore no amendment to the accounts is required.

RESOLVED: Members received and noted the report.

10) <u>EXTERNAL AUDITORS ANNUAL REPORT 2022/23</u>

N Wright delivered the Auditors Annual Report 2022/23 and explained that the purpose of this report is to bring together the results of their work over the year, including commentary on the Authority's value for money arrangements.

There were no recommendations or weaknesses to report or draw to the attention of the Audit & Governance Committee.

She explained that once the audit of the Authority's accounts was concluded and a consistency opinion on the Authority's Annual Report issues, the external auditor will be able to issue their audit certificate and the audit for March 2023 will be closed.

As this was the final meeting to be attended by Deloitte, the Chair expressed the committees thanks to Nicola and her team for their work over the last five years and supporting the achievement of meeting the statutory deadlines for publication of the Authority's audited accounts each year.

RESOLVED: Members received and noted the report.

11) <u>LETTER OF REPRESENTATION 2022/23</u>

The Head of Finance presented the Letter of Representation 2022/23, explaining that this is a requirement of the Accounts and Audit Regulations. Members were

recommended to authorise the Chair of the Audit and Governance committee to sign the letter on behalf of the Authority.

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

12) APPROVAL OF THE STATEMENT OF ACCOUNTS 2022/23

The Head of Finance presented the audited Statement of Accounts for 2022/23.

The Head of Finance noted that the report set out details of amendments that had been made during the course of the audit, including:

- In the Authority accounting policies and critical judgements notes, further narrative was added to explain the approach to accounting treatment of the pensions asset.
- An additional column for Compensation for Loss of Office was added to the Authority officer renumeration note.
- In the Fund Accounts a correction was made to the presentation of figures in the Reconciliation of Investment Movements disclosure note.

The Head of Finance explained that should any further changes be required as a result of resolving the remaining issue concerning the pensions asset as noted in the External Auditor's report, these would be agreed and actioned prior to the accounts being signed off by the Chief Finance Officer and the Chair of the Committee.

RESOLVED: That Members
   a. Approve the Statement of Accounts 2022/23.
   b. Authorise the Chair of the Audit & Governance Committee to sign the final audited Statement of Accounts on behalf of the Authority.

13) AUTHORITY ANNUAL REPORT 2022/23

The Director presented the Authority's Annual Report 2022/23. Members of the committee were asked to approve the report subject to a receipt of a positive consistency opinion from external audit.

RESOLVED: That Members approve the Annual Report of the Authority for 2022/23 and authorise its publication subject to the receipt of a positive consistency opinion from the external auditor.

14) PROGRESS ON AGREED MANAGEMENT ACTIONS REPORT

The Assistant Director – Resources presented the progress on agreed management actions report and highlighted the following.

- There are only 2 outstanding actions that had an update in the period. Both of these actions were following audits that were completed over two years ago, an issue that Members had noted at the previous meeting. Therefore, the report now being presented included further explanation concerning the reasons for the actions being taken over such a long timescale and the cause of delays.

- In relation to the Procurement Compliance audit action still outstanding, the Assistant Director explained that a follow-up audit has been undertaken in this current year, a review that took place over several months and has reached the draft report stage.

- The Assistant Director assured the Committee that whilst the final draft report for this audit concluded with a limited assurance opinion, several of the actions agreed have already been taken or are in progress. Contract Standing Orders were updated in June and are now on the SharePoint site for staff undertaking procurement activity. A gateway approval document has also been developed which should address all the other findings, this has already been through audit review and will be rolled out in the next month or so. Training for staff will also be scheduled to strengthen those procurement arrangements.

- With all these actions in place, the Internal Audit managed concurred that should the audit be re-performed now it would likely receive a positive assurance opinion.

RESOLVED: Members received the report and noted the progress being made on implementing agreed management actions.

CHAIR

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Subject	Internal Audit Progress Report	Status	For Publication
Report to	**Audit and Governance Committee**	**Date**	**14/12/2023**
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	**Phone**	07795 305846
E Mail	SharonBradley@barnsley.gov.uk		

1.   Purpose of the Report

1.1   The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period 4th September 2023 to 26th November 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 and Governance 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   The Head of Internal Audit, Anti-Fraud and Assurance produces an Annual Report (reported into the July Committee meeting), which provides his overall opinion on the adequacy of the Authority's control environment and compliance with it during the year.

4.   Implications

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

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

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

Background Papers	
Document	**Place of Inspection**
Background papers and other sources of reference include: Internal Audit Charter 2021-24, Annual Plan 2023-24, 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 and Governance Committee

14th December 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
4th September 2023 to 26th November 2023

Purpose of this report

This report has been prepared to update the Committee on our activity for the period 4th September 2023 to 26th November 2023, bringing to your attention matters that are relevant to your responsibilities as members of the Authority's Audit and Governance Committee. The report also provides information regarding the performance of the Internal Audit function during the period.

Internal Audit Plan Progress

The following table shows the progress of the internal audit plan up to the 26th November 2023, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 49% of the total planned days (57% of the planned days not incl. contingency). The 2023/24 plan (as in previous years) is profiled more heavily towards the end of the financial year and Internal Audit has profiled its resources accordingly. As in previous years, there are likely to be a number of pieces of work that will be completed in the new financial year.

Position as at 26th November 2023 - Plan Days Delivered

2023/24 Plan	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	92	92	48.3 (43%)
Pensions Admin	18	18	19.6 (17%)
Authority Wide	89	69	28.5 (26%)
Investments	10	10	7 (6%)
Corporate Services	20	10	9.4 (8%)
Contingency	2	32*	0 (0%)
Chargeable Planned Days	**231**	**231**	**112.8 (49%)**

* Refer to plan changes below.

Position as at 26th November 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
Finance & Resources	8	4	3*	3
Pensions Admin	3	1	1	3
Investments	1	1	1	0
Corporate Services	1	0	0	0
Service Wide	3	1	0**	1
Total	**16**	**7**	**5**	**7**

* The Fund Contributions review is currently at draft report stage, for discussion and agreement with management.
** The Training & Development Appraisal Process review is currently in progress, with testing being completed on site.

Changes to the 2023/24 Internal Audit Plan

At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. There have been three plan changes during the period:-

- Deferred - Authority's Risk Management arrangements – a compliance review was planned but the system will not have been implemented and embedded sufficiently in this financial year to enable that review to be undertaken.
- Deferred - Business Continuity Planning (BCP) – a compliance review was planned but the BCP needs to be revised and implemented by Management and then embedded to enable this review to be undertaken.
- Deferred - Staff Payroll & HR System – Design & Implementation – delays in procuring the system.

Final Internal Audit Reports

The following report has been issued during the period.

Audit Assignment	Assurance Opinion	Number of recommendations raised:			Total	Agreed
		High	Medium	Low		
Pensions Admin: Customer Contact Centre	Reasonable	0	1	2	3	3
Finance: Authority Staff Payroll	Substantial	0	0	0	N/A	N/A
Finance: Accounts Receivable	Reasonable	0	1	0	1	1
Finance: Main Accounting	Substantial	0	0	0	N/A	N/A
Investments: Border to Coast	Substantial	0	0	0	N/A	N/A
Total		**0**	**2**	**2**	**4**	**4**

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 and Governance Committee Support	Time taken in the preparation of Audit and Governance 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.
Pentana Risk System – Design & Implementation	Time allocated to provide advice, support and guidance to management during the design and implementation stages of the internal control framework for the risk management system.

Audit Activity	Description
Data Protection / UK GDPR – Advisory	To provide advice in a critical friend role that the Authority is complying with the Data Protection and UK GDPR regulatory requirements.
Performance Management Framework	To provide advice, support and guidance to management during the design and implementation of the Performance Management Framework.
Project / Programme Management	To provide advice, support and guidance to the newly appointed Project Manager, during the development and implementation of a project / project management framework and 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.

Work in Progress

The following table provides a summary of the audits in progress at the time of producing this report:

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
Finance: Fund Contributions			✓
Finance: Accounting for Deals		✓	
Finance: UPM Payroll		✓	
Finance: Investment Income		✓	
Service Wide: Training & Development Appraisal Process		✓	

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	Not Yet Due	Closed - Implemented	Revised target date agreed	Awaiting Update From Mgt
High	0	0	0	0	0
Medium	9	7	2	0	0
TOTAL	**9**	**7**	**2**	**0**	**0**

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

Internal Audit performance indicators and performance feedback for 2023/24 (Quarter 2)

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.

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Ref.	Indicator	Frequency of Report	Target 2023/24	This Period	Year to Date
1.	**Customer Perspective:**				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100%
2.	**Business Process Perspective:**				
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%	64%*
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	2.29 days	5.66 days*
3.	**Continuous Improvement Perspective:**				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	**Financial Perspective:**				
4.1	Total Internal Audit costs v budget.	Quarterly	Within budget	Yes	Yes

* The chargeable time indicator in Q1 & Q2 has been impacted upon by the profile of annual and statutory leave, which will level out throughout the year and the impact of sickness absences. These absences have not impacted on the delivery of the South Yorkshire Pensions Authority Plan.

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,

PI Ref	Indicator	Comments
		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

Changes in Service and Personnel

Following a zero-based Transformation Review, the Service will become Corporate Assurance from 1st January 2024, with Sharon Bradley appointed as the Head of Corporate Assurance. Rob Winter leaves his post as Head of Internal Audit, Anti-Fraud and Assurance on 31st December 2023. A presentation is included on this meeting agenda to brief Members of the Committee.

KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF IMPLICATIONS

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

High   Requires immediate action – imperative to ensuring the objectives of the system under review are met.

Medium   Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.

Low   Action is advised to enhance control or improve operational efficiency.

2. **Assurance Opinions**

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

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Local Code of Corporate Governance**	Status	For Publication
Report to	Audit and Governance Committee	**Date**	14 December 2023
Report of	Head of Governance		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance	**Phone**	01226 666418
E Mail	jstone@sypa.org.uk		

1   Purpose of the Report

1.1   To present the updated Local Code of Corporate Governance for review.
_____

2   Recommendations

2.1   Members are recommended to:

a. **Review and approve the updated Local Code of Corporate Governance for publication.**
_____

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.

4   Implications for the Corporate Risk Register

4.1   There are no implications for the Corporate Risk Register.

5   Background and Options

5.1   In the Annual Governance Statement approved in June 2023, an action was included for the Local Code of Corporate Governance to be reviewed and updated. This action has now been undertaken and the updated Local Code is presented at Appendix A for Members' review and approval.

5.2   The CIPFA / SOLACE Good Governance Framework sets out requirements based on seven key principles and requires that local authorities should:

a. Review existing governance arrangements;

b. Develop and maintain an up-to-date local code of corporate governance, including arrangements to ensure ongoing effectiveness; and

c. Report publicly on compliance on an annual basis.

5.3 This report is part of fulfilling the second requirement from this list by updating the Local Code from the last time it was reviewed in 2019.

5.4 The Local Code describes how South Yorkshire Pensions Authority discharges its responsibilities in meeting the seven principles of delivering good governance, by identifying sources of evidence of compliance and assurance.

5.5 These details have been fully reviewed and updated as necessary to reflect improvements and any other changes made since the last review.

5.6 The Annual Governance Statement, which forms part of the Authority's Statement of Accounts, demonstrates on an ongoing basis how the Authority is complying with this Local Code.

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

Monitoring Officer

Background Papers	
Document	**Place of Inspection**
Published Decision Records	

SOUTH YORKSHIRE
PENSIONS AUTHORITY
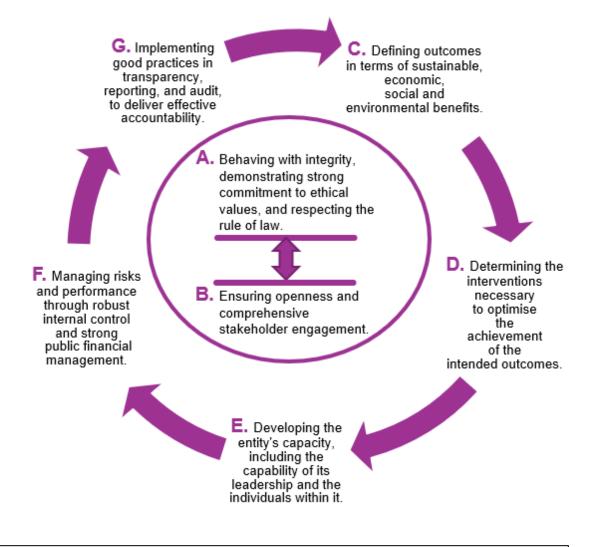
Local Code Of Corporate Governance

December 2023

Local Code of Corporate Governance

Governance is about how South Yorkshire Pensions Authority (SYPA) ensures that is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner.

SYPA is committed to upholding the highest possible standards of good corporate governance, believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in SYPA's good outcomes.

Good governance flows from shared values, cultures, and behaviour and from systems and control measures. This Code of Corporate Governance is a public statement that sets out the framework through which SYPA meets its commitment to good corporate governance.

Good corporate governance can be summarised as *"achieving the intended outcomes while acting in the public interest at all times"* (CIPFA / IFAC International Framework: Good Governance in the Public Sector (2014)). In this sense good corporate governance is founded on seven key principles as set out in the diagram below:

Source: International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)

The International Framework states that *"acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."*

The international framework has been transposed into UK professional standards in the CIPFA / SOLACE framework "*Delivering good governance in Local Government"* (2016) which applies to all local government bodies including joint authorities such as the South Yorkshire Pensions Authority.

The framework and the associated guidance are not a prescriptive checklist, and it is for each individual organisation to apply the framework to its own context.

This *Local Code of Corporate Governance* describes how South Yorkshire Pensions Authority discharges its responsibilities in this respect, by identifying sources of evidence of compliance and assurance in relation to each of the seven principles and supporting defining factors within the framework. The Annual Governance Statement, which forms part of the Authority's Statement of Accounts, demonstrates on an ongoing basis how the Authority is complying with this code. In addition, the Code itself will be reviewed on a regular basis.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
A. Behaving with integrity, demonstrating. strong commitment to ethical values, and respecting the rule of law	➢ Codes of conduct covering the behaviour of both members and officers, form part of the Constitution, with appropriate mechanisms for ensuring that action can be taken where transgressions are reported. For officers these are reinforced through a framework of values and behaviours, including specific management behaviours, which are reflected upon at individual level as part of the appraisal system.
	➢ The standing orders set out the required standards of conduct at meetings.
	➢ A member induction and development programme is in place.
	➢ Maintains the SYPA's Constitution, setting out how decisions are made, and the procedures followed to ensure that these are efficient, transparent, and accountable to local people.
	➢ Incorporates in the Constitution a formal scheme of delegation, setting out the delegated powers of the Authority's most senior officers.
	➢ As required under local government law, elected members are required to complete declarations of interest which are publicly available and to declare any conflicts which might arise in discussion of specific matters at meetings of the Authority and its committees. Similar arrangements apply to members of the Local Pension Board, under requirements governed by the Local Government Pension Scheme regulations and the Public Service Pensions Act 2013.
	➢ Registers of potential conflicts, including personal relationships, for staff and a register of gifts and hospitality for both staff and officers.
	➢ A comprehensive policy framework in relation to issues such as fraud and corruption and a Whistleblowing Policy should any individual wish to make a confidential disclosure. Complaints policies in relation to quality of service, and statutory appeals processes in relation to decisions made under the Pensions Regulations.
	➢ The Authority operates with an extremely strong value base in relation to ethical standards and values reflecting the seriousness of its responsibility as steward of the pension savings of a very large number of individual scheme members. The values and behaviours framework are central to both the Corporate Strategy and the appraisal process and the wider policy and constitutional framework covering issues such as recruitment and selection and procurement. The Authority also seeks to bring its commitment to these values into the role it plays within any partnership in which it participates, particularly the Border to Coast Pensions Partnership which is central to the delivery of its corporate objectives.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
	➢ The Authority ensures that it is aware, through the employment of specialist officers and advisers, of the statutory requirements which are placed upon it and takes steps to ensure that it complies with them in an open and transparent way. This includes the maintenance of an up-to-date Constitution which is regularly reviewed and includes definitions of both the Corporate Planning Framework and Pensions Policy Framework, together with terms of reference for committees and an appropriate scheme of delegation to officers.
	➢ The Authority maintains up to date role profiles for all posts within the organisation and ensures that it has appropriately qualified statutory officers in post who are able to operate in a way which complies with the relevant professional codes.
	➢ Formal records are kept of decisions taken by both officers and members together with the advice considered in making such decisions.
	➢ The Authority has a formal policy on the reporting of breaches of the relevant pension regulations and any breaches which occur are reviewed by the Local Pension Board at each of its meetings. The Authority also has clear and effective policies in relation to fraud and corruption and participates in the National Fraud Initiative.
B. Ensuring openness and comprehensive stakeholder engagement	➢ The Authority seeks to be as open as possible with stakeholders, conscious that it is the steward of the savings of around 170,000 individuals, working for close to 600 different employers. To this end it complies with its obligations under the Freedom of Information Act and makes a considerable volume of information automatically and freely available through its website. The Freedom of Information Act Publication Scheme, which specifies the information published by the Authority and how to access this, is used as one means of signposting information electronically.
	➢ This includes a range of information on investment holdings, performance, the policy frameworks, and responsible investment issues such as how shares have been voted.
	➢ Meeting agendas and papers for the Authority, the various committees and the Local Pension Board are published online a week before each meeting and all meetings are open to the public, and webcast.
	➢ Key decisions made by officers are formally recorded and details published on the website.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
	➢ To promote clarity in the information provided to support decision making, reports for decision making bodies follow a standard format which ensures that, for example, implications for the financial position of the Authority of a decision are clearly explained. In addition, all reports for decision are required to outline relevant risk considerations, so that these can be understood by decision makers. All reports must be reviewed and cleared by the statutory officers prior to submission to elected members for decision. ➢ The Authority has in place clear protocols regarding its participation as a Partner Fund in the Border to Coast Pensions Partnership. Clearly defined roles are set out for each participant in the Partnership in its Governance Charter and the relevant legal agreements. Regular reports are provided to the Authority by officers on the activity and performance of the Partnership, including a comprehensive annual review which considers the achievement of both the Authority's and the Partnership's objectives. ➢ To ensure the views of stakeholders are considered in a systematic way by decision makers when relevant, the Authority has adopted a Communications and Consultation Strategy which provides a standard framework for engaging with stakeholders. ➢ A communications team is in place, increasing the professional resource available to focus on our corporate communications with all our stakeholders. ➢ Resources are specifically allocated to engagement with employers to support the maintenance of a productive and supportive relationship between them and the Authority. All engagement with employers takes place within the context of the Communications and Consultation Strategy which requires the results of any consultation process to be reported back alongside the actions proposed following the consultation. ➢ Emphasis is placed on increasing the volume and improving the quality of interaction with employers and an employer forum session and surveys have been undertaken during the year. The Authority's website includes an area for employers and an employer newsletter is sent to all employers quarterly with updates on relevant information, training, and events. ➢ There is a current focus on monitoring the performance of employers in relation to data submission; including quality, timeliness and resolving queries; and reporting on this to the Local Pension Board. ➢ The processes for engaging with and understanding the views of scheme members are also set out in the Communications and Consultation Strategy.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
	➤ Interaction with scheme members includes offering appointments to meet with staff either through remote meeting sessions or in-person appointments at our office in Barnsley. ➤ The Authority's complaints and appeals processes are available to scheme members in relation either to quality of service, or specific decisions made under the LGPS regulations. Information from the complaints and appeals processes forms part of the Authority's performance management framework and influences the development of policy, practice, and processes, including specific projects reflected in the Corporate Strategy. ➤ As part of its assurance and scrutiny role, the Local Pension Board receives a quarterly report outlining the nature of all appeals and complaints and the subsequent actions and learning as well as quarterly information on the results of various rolling customer satisfaction surveys which examine specific aspects of the service to scheme members, which also include information on learning and actions from this feedback.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	➢ The Authority sets out a clear vision supported by specific objectives for achieving that vision within its Corporate Strategy which is at the heart of its corporate planning framework. Delivery against these objectives and key quality of service standards is reported quarterly to members of the Authority within a comprehensive report, allowing action to be taken to address any variations if required. All activity is undertaken within a risk management framework which covers all aspects of the Authority's work. ➢ The Authority's Responsible Investment Policy sets out how it reflects the balance between economic, social, environmental and governance issues within its investment decision making process and the areas where it seeks to move partners within the Border to Coast Pensions Partnership to a shared position. Responsible investment is central to the Authority's approach to the management of the funds for which it is responsible, and it is an active participant in a range of initiatives which seek to support the achievement of its objectives in this area. Work has continued during the year to develop new approaches to reporting the impact of various investments and the results of this will be reflected in future annual reports. ➢ The Authority's decision making on key issues of this sort is transparent with appropriate decisions either taken in public meetings or published and supporting information placed in the public domain whenever possible. (Exceptions to this are limited and would include, for example, commercially sensitive market information that cannot be made public). ➢ The Authority actively engages with groups seeking to influence its policies in different ways and uses its Communication and Consultation Strategy to seek views on issues where appropriate and to consider differing views when making decisions. ➢ Beyond the investment sphere, the Authority maintains an Equality and Diversity Scheme to guide its approach to the delivery of fair access to its services for any individual with a protected characteristic.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	➢ The Authority's officers ensure that when making decisions, elected members have access to as much objective information as possible, as well as to the views of appropriately skilled and experienced independent advisers where specialist areas such as investment strategy are under consideration. Where members require additional information, officers agree specific timescales for its provision.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
	➢ The corporate planning process and the medium-term financial strategy are how the Authority agrees the relative priority and resource requirements of specific interventions.
	➢ The Authority has a well-defined and robust corporate planning framework with the review cycle linked at a high level to the major cyclical events impacting its operations (principally the triennial actuarial valuation of the Pension Fund). This framework is supported by well-established consultation arrangements ensuring that stakeholder views can influence plans where appropriate and a risk management framework that ensures that both risks to service delivery and risks impacting the assets and liabilities of the Pension Fund can be addressed holistically.
	➢ A robust framework for monitoring the delivery of all the various plans and strategies is in place with a comprehensive report including both financial and performance information presented to the Authority on a quarterly basis with more detailed reports covering pension administration presented quarterly to the Local Pension Board and on investment performance to the Authority. These reports highlight deviations from plans and identify and assess the risks relevant to the achievement of objectives as well as including information around feedback received and how it has been acted on.
	➢ The Authority's medium-term financial strategy and corporate strategy draw on inputs from both stakeholder feedback mechanisms, the views of elected members and the Senior Management Team's assessment of developments in the wider external environment to direct resources to address priority areas. The medium-term financial strategy examines both the Authority's operating budget and the financial position of the Pension Fund ensuring that all areas of cost and income are fully considered. Strong budgetary control is evident, and managers are conscious of the need to demonstrate financial probity.
	➢ In addition, given the centrality of being a responsible investor to the way in which the Authority invests the Pension Fund, regular publicly available reports are provided to the Authority detailing responsible investment activity undertaken and the outcomes achieved through this activity. These include summaries of the Fund's votes at company annual meetings. As part of this approach the Authority subscribes to the principles set out in the FRC's Stewardship Code which requires investors to report to stakeholders in a clear way on how they have managed the funds for which they are responsible.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	➢ The Authority has strong constitutional arrangements in place including an effective scheme of delegation, financial regulations and contract standing orders that define which individuals can take which decisions. These arrangements are subject to regular review.
	➢ Clear role profiles are in place for all posts within the organisation, which are linked to a consistent organisational design framework. The Director's role profile is agreed with elected members. This and the Constitution clearly set out the dividing lines between member and officer responsibilities. Means of maintaining regular dialogue between the Director and the Chair are agreed with each Chair on their taking office.
	➢ The role of Monitoring Officer is undertaken by the Authority's Head of Governance. Support for this individual officer is in place with a programme of mentoring from Barnsley MBC's Monitoring Officer, who is also the Authority's Deputy Clerk. Additionally, the Head of Governance has been supported to complete a professionally accredited Diploma in Corporate Governance delivered by CIPFA, and is supported in keeping CPD up-to-date.
	➢ The role of Chief Finance Officer (under s.73 of the 1985 Local Government Act), is undertaken (from 1 April 2023) by the Authority's Assistant Director – Resources who is CIPFA qualified and previously performed the Deputy Treasurer role since May 2019. This role holder was supported to complete the CIPFA Chief Finance Officer Leadership Academy during 2022/23. The Head of Finance is the designated Deputy Chief Finance Officer and is also CIPFA qualified and supported in maintaining up-to-date CPD.
	➢ The Authority's statutory role holders – the Director as Head of Paid Service, the Head of Governance as Monitoring Officer and the Assistant Director – Resources as Chief Finance Officer, along with the Deputy Clerk meet on a quarterly basis.
	➢ Independent Advisers with suitable skills and experience are employed to support both the Local Pension Board and the Authority. Training for members of the LPB and of the Audit & Governance Committee is provided to enable them to provide more effective challenge. These have previously included briefing sessions on relevant topics before each meeting, an effectiveness review and training from CIPFA's Governance Adviser and a training session on the scrutiny role from the Centre for Governance & Scrutiny

Key governance principles and supporting actions and behaviours:	How do we achieve this?
	(CfGS). The Audit & Governance Committee updated its Terms of Reference in March 2023 to ensure compliance with best practice as per the CIPFA Position Statement on Audit Committees.
	➢ Plans are in place to recruit for an independent member for the Audit & Governance Committee with relevant audit and risk knowledge and skills.
	➢ A Learning and Development Strategy is in place for elected members supported by the allocation of specific time within the overall programme of meetings. This strategy is set within the context of the CIPFA Knowledge and Skills Framework for LGPS and has regard to the requirements of the Pensions Regulator. The current status is 100% completion by Authority and LPB members of the mandatory training requirements within the strategy. Members participate in the National Knowledge Assessment (run by Hymans Robertson) and this helps to inform the Member Learning and Development Strategy each year, which is targeted and bespoke.
	➢ For staff of the Authority, an appraisal system is used to manage individual performance, plan learning and development, and support the succession planning process which is in place in key risk areas. In October 2022, following a comprehensive review, the Authority approved an Organisational Resilience and Sustainability plan which includes the establishment of a range of additional resources and changes to reporting lines across the organisation, to be implemented over the course of the period to March 2025, designed to strengthen capacity, enhance capability, and increase sustainability.
	➢ Ongoing learning and development plans for the Authority's workforce are devised annually to support the goals set out in individual appraisals and are kept under review throughout the year. In addition to competency-based progression through the pension administration career grade, this can include professional qualification training, external training courses, and internally provided technical updates and system specific training.
	➢ Learning and development activity is further supported through access to online resources through a range of systems such as online reading rooms, SharePoint, modern.gov and LinkedIn Learning.
	➢ Health, Safety and Wellbeing arrangements are prominent and embedded across the organisation. An external Health & Safety adviser is retained, and the range of additional health and wellbeing support continues to grow each year, including workplace health checks and a range of webinars and other activities which target a variety of key physical, emotional, and mental health and wellbeing topics.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
F. Managing risks and performance through robust internal control and strong public financial management	**Managing Risk** ➢ A risk management framework is in place reviewed annually by the Audit & Governance Committee. This framework sets out clearly the responsibilities for managing the risks facing the organisation, how they should be assessed and reported. The strategic risk register is reviewed monthly by the Senior Management Team with reporting on a quarterly basis to meetings of the Authority as part of the overall performance management framework, together with review and challenge by the Local Pension Board. ➢ The Governance team provide specific resource and focus to this area. A risk and performance management software system has been implemented to enhance the Authority's arrangements by enabling more efficient recording and reporting of risk and performance and with input from various levels of management throughout the organisation. This is also supported by additional training for the relevant staff and managers. **Managing Performance** ➢ Arrangements for the reporting and monitoring of performance are in place, including clearly defined timetables for the reporting of information across the full range of activity, integrated with financial monitoring. Wherever possible, data is placed in the public domain and statutory reporting timescales are adhered to. ➢ The Authority undertakes benchmarking of its cost base and performance across both the main streams of operational activity, pensions administration and investment. ➢ The Authority welcomes external challenge and is due to commission a second review of its Governance arrangements in the final quarter of 2023/24 in line with the proposals set out in the Good Governance Review Project sponsored by the Scheme Advisory Board. ➢ A small team consisting of a Service Manager – Programmes and Performance, and a Projects and Performance Officer is in place under the Head of Governance to bring an expert and dedicated resource to develop and enhance the performance management framework as well as applying project management methodology and control to the delivery of specific projects for meeting the Authority's corporate objectives. ➢ High quality data is central to the effectiveness of the organisation in its core function as a pension administrator. The Authority has a strong policy framework in place to ensure both the security and integrity of the large quantities of data which it holds.

Key governance principles and supporting actions and behaviours:	How do we achieve this?
	➤ The Authority's Head of Governance is now the Senior Information Risk Owner (SIRO), providing a dedicated resource, supported by the Team Leader – Governance, to work on the continuing development of the information governance framework. ➤ The Head of Internal Audit acts as the Authority's Data Protection Officer and his work is supported by an annual programme of review activity to ensure compliance with the policy framework. ➤ The Authority has received and continues to maintain the Cyber Essentials Plus accreditation – which is the highest level of certification offered from government in relation to its arrangements for cyber security. ➤ An annual assessment of the quality of data held for pension administration purposes is undertaken and a data improvement plan is produced to ensure that any issues identified are addressed. Progress with delivering the data improvement plan is overseen by the Local Pension Board. **Robust Internal Control** ➤ The Authority has an Audit & Governance Committee in place whose terms of reference are consistent with the relevant professional standards and were updated from March 2023 in line with CIPFA's updated Position Statement on Audit Committees. The Committee produces its own Annual report, available within the Governance section of the Authority's website, which sets out the work it has undertaken during the year. ➤ The Committee is responsible for overseeing the work of Internal Audit, provided by Barnsley MBC's Internal Audit Service, and in particular ensuring that the Internal Audit plan addresses key control risks facing the Authority. The Head of Internal Audit is required under the relevant professional standards to produce an annual opinion on the adequacy of the control environment. This is reported within the Annual Governance Statement each year. ➤ Progress made in implementing actions agreed following audit reviews is reported to every meeting of the Committee and this helps to ensure that the control environment continues to be strengthened through the audit process. ➤ The importance of internal control is well-embedded across the organisation and officers ensure a strong and effective working relationship is maintained with both Internal and External Audit, including regular liaison

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Key governance principles and supporting actions and behaviours:	How do we achieve this?
	meetings and ensuring independent access is available to the Audit & Governance Committee Chair and members. **Strong Public Financial Management** ➤ The Authority is steward of a very large pension fund and therefore strong financial management is crucial to its effective operation. ➤ A strong framework of budgetary control is in place and monitoring against the operational budget, along with monitoring of investment performance, is reported quarterly to the Authority. Key projects are required to operate within defined budgets which receive approval through the appropriate decision-making processes. ➤ The Authority's Medium Term Financial Strategy defines various fiscal rules which constrain the growth in expenditure, mirroring to some extent, the constraints which apply to conventional local authorities through the council tax capping regime.
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	➤ The Authority seeks to be open and transparent in all its activities, seeking to minimise the amount of information that must remain confidential. ➤ A substantial amount of information about the Authority's services and activities is published on its website: https://www.sypensions.org.uk/ including, for example, details of investment holdings and voting records. The agendas and public reports for all meetings of the Authority, its committees and the Local Pension Board are published and the public parts of these meetings are webcast. The Authority's annual report also contains a significant amount of information on its activities in a more user-friendly format. ➤ The Freedom of Information Publication Scheme provides clear signposting to the information which is publicly available and where it can be found. ➤ The Authority regards telling its story as a key activity, to report and demonstrate its performance, achievement of value for money and effective stewardship of scheme members' savings. For key documents such as the Annual Report and Accounts, the Authority follows the relevant professional codes in terms of the provision of information and seeks to go beyond them where possible, particularly in terms of presenting the information in a way which allows the reader to set information in the context of the Authority's work and

Key governance principles and supporting actions and behaviours:	How do we achieve this?
	easily understand it. Plans are in place to enhance this further with the professional expertise of the relatively newly formed Communications team.
	➢ The Authority has continued to publish its audited accounts and annual report in advance of the statutory publication deadlines every year, ensuring that information for stakeholders is provided on a timely basis to promote effective accountability.
	➢ The Authority uses the governance framework set out in this Local Code of Corporate Governance to ensure that the information provided in reporting is accurate and consistent and that the same standards are met by key partnerships such as the Border to Coast Pensions Partnership.
	➢ The Internal Audit function operates under a charter which conforms to the relevant public sector internal audit standards ensuring that the Authority complies with the relevant professional standards.
	➢ The Audit & Governance Committee reviews progress on implementation of actions agreed following audit reviews carried out by both internal and external audit and will do so in relation to the work of any potential other review agencies when the Scheme Advisory Board's Good Governance reforms are introduced.
	➢ The Authority embedded the recommendations made in the previous review of governance arrangements in 2021. This included taking action to bring the statutory roles of Chief Finance Officer and Monitoring Officer in-house (having previously been held by officers of Barnsley MBC) as set out in relation to Principle E above. A further independent review of governance arrangements is due to be undertaken in the final quarter of 2023/24.
	➢ All these arrangements also apply to the way in which the Authority engages with various partners and a comprehensive process of gathering assurance from those managing money on behalf of the Authority is undertaken each year.
	➢ The Authority seeks to ensure that the activity undertaken on its behalf by the Border to Coast Pensions Partnership reflects the agreed Governance Charter which applies similar standards to the Authority's arrangements in the Partnership's unique context.

Managing and Reporting

The Authority is committed to review its governance arrangements regularly to ensure continuing compliance with best practice to provide assurance that corporate governance arrangements are adequate and operating effectively in practice. Where reviews of the corporate governance arrangements reveal areas for improvement, actions will be planned and undertaken to address these.

The Authority will prepare an Annual Governance Statement which will be submitted to the Audit and Governance Committee for consideration and will form part of the Authority's annual Statement of Accounts and Annual Report.

In reviewing and approving the Annual Governance Statement, members will be provided with detailed information regarding the effectiveness of the governance arrangements and systems of internal control and how these address the key risks faced by the Authority. Those assurances will be available from a wide range of sources, including internal and external audit, a range of external stakeholders and senior staff and statutory officers of SYPA.

The Authority continually strives to operate an assurance framework, embedded into its business processes, that maps corporate objectives to risks, controls and assurances. This framework and regular reports on its application and effectiveness will provide members with assurance to support the Annual Governance Statement and will help members to identify whether corporate objectives and significant business risks are being properly managed.

Assurance Channels

Our assurance channels the review of effectiveness is informed from various sources (also known as the Lines of Defence)

Annual Governance Statement

Audit and Governance Committee

Senior Management Team and Statutory Officers

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Risk, Owners / Managers	**Risk, Control and Compliance**	**Independent Risk Assurance**
Functions that have day to day responsibility for managing and controlling risk.	Functions that set directions, define policy and provide assurance.	Functions that provide independent assurance.

1st Line of Defence
- Operational Management
- Responsibility for directly assessing, controlling, and mitigating risk
- Design and implement Risk Control
- Management / Supervisory Controls

2nd Line of Defence
- Financial Control
- Inspection
- Risk Management
- Quality
- Compliance

3rd Line of Defence
- Internal Audit

External Audit

External Regulators

Review Agencies

Regulators

Seven Principles for the Conduct of Individuals in Public Life

The governance framework is supported by the seven Principles of Public Life and apply to anyone who works as a public officeholder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public officeholders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	Annual Review of the Risk Management Framework	Status	For Publication
Report to	Audit and Governance Committee	Date	14 December 2023
Report of	Head of Governance		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1   Purpose of the Report

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

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2   Recommendations

2.1   Members are recommended to:

a.   **Note the contents of this report and consider whether any additions or changes are required to the Risk Management Framework; and**

b.   **Approve the updated Risk Management Framework for publication.**

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3   Link to Corporate Objectives

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

Effective and Transparent Governance

To uphold effective governance always showing prudence and propriety.

4   Implications for the Corporate Risk Register

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

5   Background and Options

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

5.2   The Risk Management Framework is at Appendix A and the current strategic risk register at Appendix B.

5.3   The Senior Management Team have continued to review the strategic risk register monthly and update scores and control measures as necessary, together with commentary to support the making of changes to scores (or not). This provides members of the Authority with assurance that risk management arrangements at the strategic level are being operated as intended.

5.4   Following the expansion of the Governance team, we have been able to provide more dedicated focus to the area of risk management across the organisation. The team are in progress with implementing the use of risk management software (Pentana) for risk management which will improve the efficiency and clarity with which risks are recorded, managed and monitored.

5.5   Additionally, work has progressed to introduce an additional layer of operational risk registers to be managed by the middle managers which will help to embed the culture of risk management throughout the organisation as well as to support and inform the strategic risk register.

5.6   External training on risk management has been delivered in the year to SMT and Middle Managers to refresh and/or equip them with knowledge and understanding of risk management principles and practices as part of enhancing our risk management arrangements and in readiness for ensuring greater ownership and involvement of middle managers. Following this training and the advice of the trainer, a full review has been undertaken of the Strategic Risk Register involving some of the middle managers along with the Governance team to separate out the control measures into preventative and mitigating controls and to add review dates of planned actions. The operational risk registers will be developed with each middle manager in the coming months.

5.7   Internal audit review has provided assurance that the Risk Management Framework continues to operate effectively in its current form. However, given the robust enhancements to risk that have been undertaken this year a comprehensive review of the Framework has been completed. Members are asked to endorse this approach and the revisions to further strengthen the revised Risk Management Framework.

6   Implications

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

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

Jo Stone

Head of Governance

Background Papers	
Document	**Place of Inspection**

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Risk Management Framework
December 2023

Document Control Information	
Document title	Risk Management Framework
Version	December 2023
Status	Draft
Owner	Head of Governance
Department	Resources
Publication date	
Approved by	
Next review date	

Version History			
Version	**Date**	**Detail**	**Authors**

Contents

1. Foreword

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

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

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

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

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

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

2. The Risk Management Framework

The framework consists of the processes, guidelines and best practice to manage risk effectively while ensuring compliance with relevant regulations and standards.

This framework consists of the following components:

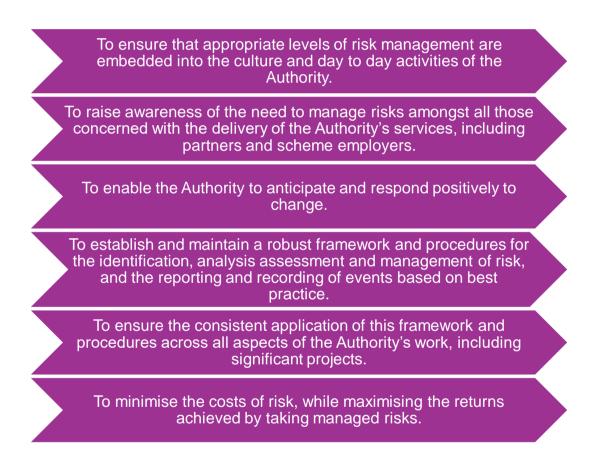|	
Risk Management Policy Statement	Statement of intent on how SYPA will approach risk.
Risk Management Strategy	Defines the objectives, activities and responsibilities for managing risk and reporting arrangements
Risk Management Process & Guidance	Guidance for staff on how to embed the strategy
Strategic Risk Register	Register which records all corporate risks and who is reponsible for managing them
Operational Risk Register	Register which records all operational risks and who is responsible for managing them
Project/Programme Risk Registers	Register which records all proogramme/project risks and who is responsible for managing them

3. Risk Management Policy Statement and Strategy

SYPA recognises and accepts its legal responsibility to manage its risks effectively, has adopted a proactive approach to well thought through risk taking (balancing opportunity and risk) to achieve its objectives and enhance the value of services to scheme members.

The overall aim being to increase the likelihood of delivering on the corporate objectives by supporting innovation, encouraging creativity, minimising threats and providing an environment where risk management is seen as adding value to service delivery.

Objectives of SYPA'S Risk Management Strategy

To ensure that appropriate levels of risk management are embedded into the culture and day to day activities of the Authority.

To raise awareness of the need to manage risks amongst all those concerned with the delivery of the Authority's services, including partners and scheme employers.

To enable the Authority to anticipate and respond positively to change.

To establish and maintain a robust framework and procedures for the identification, analysis assessment and management of risk, and the reporting and recording of events based on best practice.

To ensure the consistent application of this framework and procedures across all aspects of the Authority's work, including significant projects.

To minimise the costs of risk, while maximising the returns achieved by taking managed risks.

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

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

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

➢ Ensure a consistent approach to recording and monitoring risks by using a risk management software system which will allow a robust reporting overview linked to our strategic objectives.

➢ Ensure that the management of relevant risks within their sphere of operations is a key accountability of all managers.

➢ Record, allocate ownership and assess the severity of the key risks facing the organisation in a Strategic Risk Register which will form part of the Corporate Planning Framework.

➢ Inform and support the strategic risk management process by having a similar process for Operational Risk Registers within each of the services across the organisation.

➢ Regularly review the Strategic Risk Register (monthly Senior Management Team review and quarterly review by the Authority as part of the corporate performance reporting) in order to ensure that identified mitigations are being undertaken and are resulting in material changes in risk scores, and to identify new risks.

➢ Regularly review the Operational Risk Registers (monthly reviews by the relevant middle managers and quarterly at Senior Management Team (as part of the framework of Service performance updates).

➢ Ensure that major projects being undertaken by the Authority have their own risk register maintained by the designated project manager and are reviewed on a regular basis (at least monthly) by the Project Team with reporting to either the relevant Assistant Director or by the Senior Management Team collectively where the project impacts more than one department.

➢ Assess, as part of the annual corporate planning process, the Authority's risk appetite, and then reflect this assessment in the scoring of the strategic risk register.

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

How will we know if we have achieved our risk management objectives?

The Risk Management Framework applies to <u>how</u> we do things, rather than what we do, which means that we are only likely to know if the risk management objectives have not been achieved if something goes wrong because we have failed to manage effectively the risks involved.

If we manage to deliver all the various outcomes and outputs within the corporate strategy on time and on budget then self-evidently, we will have managed risk effectively, even though how we have done it may not be particularly apparent. The risk management system will however give a clear overarching assurance of progress in managing both strategic and operational risks.

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

➢ The work of the organisation being delivered in a consistent and controlled way.

➢ A structured approach to planning, decision making and prioritisation which recognises the relevant threats and opportunities and drives the allocation of resources.

➢ A focus on the protection of assets, including the Authority's image/reputation, and knowledge base.

➢ A focus on achieving maximum operational efficiency.

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

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4. The Risk Management Process

The risk management process requires that every relevant risk:

➢ Is identified, recorded, described and owned by a named manager.

➢ Assessed (or scored) in terms of the overall degree of 'concern' regarding the risk.

➢ Mitigated, and

➢ Reviewed.

Risks are contained in either:
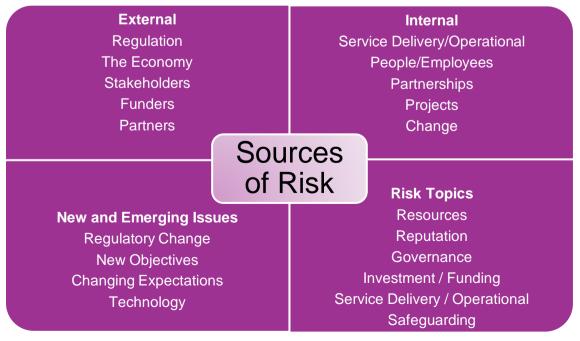
➢ The Strategic Risk Register.

➢ The Operational Risk Register.

➢ A specific risk register linked to a major corporate project.

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

Risk Identification and Recording

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

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

External	Internal
Regulation	Service Delivery/Operational
The Economy	People/Employees
Stakeholders	Partnerships
Funders	Projects
Partners	Change

Sources of Risk

New and Emerging Issues	Risk Topics
Regulatory Change	Resources
New Objectives	Reputation
Changing Expectations	Governance
Technology	Investment / Funding
	Service Delivery / Operational
	Safeguarding

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

Event → Consequence → Impact

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

➢ A clear description of the risk and an appropriate title of the risk event.

➢ The owner of the risk.

➢ The control measures currently in place – defined in terms of preventative measures and mitigation measures.

➢ The score for the risk based on the current controls in place.

➢ Further control measures to be put in place – also defined in terms of preventative measures and mitigation measures.

➢ Each of the further control measures must have an owner and a review date.

➢ The target score for the risk once the further control measures have been put in place.

Any additional mitigation or prevention actions that are significant will be identified for delivery either within the Corporate Strategy or as an objective for an individual member of staff in the appraisal process.
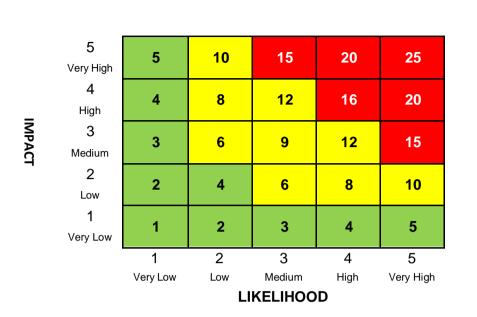
Risk Assessment or Scoring

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

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

➢ The likelihood of the risk event taking place; and

➢ The impact of the event.

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

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Risk Matrix

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

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

Risk Management

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

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

S–Specific

M –Measurable

A–Achievable

R–Resourced

T–Timebound

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

Risk Review

Each risk register (and hence each risk) is subject to a formal review on a not less than monthly basis (for some major projects at some stages of the project life cycle reviews will need to be more frequent). Reviews should be formally recorded in the minutes/notes of the relevant meeting of the Senior Management Team, service area team or project team, prior to the updating of the register.

These records need only refer to amendments agreed to either scoring or control measures, or the addition or deletion of specific risks. The review discussion must consider:

    i.   Whether the risk continues to be described appropriately. It may be the case that changed circumstances mean a description ceases to be appropriate and therefore the description should be changed.

    ii.   Whether the risk owner remains appropriate.

    iii.   Whether the current controls are suitable. For example, have new controls been developed or have current controls failed.

    iv.   Whether the current and target risk scores are correct / appropriate. For example, have there been "near misses" or changes to circumstances which necessitate a change in the scores.

    v.   Whether the preventative and mitigating control measures identified are still relevant:

        a.   Have actions been completed requiring further control measures to become current controls, which would require a reassessment of the score.

        b.   Whether ongoing control actions require a new review date.

        c.   Whether the controls owner remains appropriate.

        d.   Whether there are new preventative or mitigating measures that can be taken.

    vi.   Whether there are additional risks to consider for inclusion in the register.

Following a risk review where amendments have been agreed, the Strategic Risk Register should be updated by each risk owner to reflect the decisions made from the review. The updates must include an indication of the movement in the score for any risk and some commentary as to the changes made and the reasons for them. All of this information is to be captured on the risk management system.

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

The Governance team will be responsible for ensuring the risk management processes are followed.

Risk Tolerance/Acceptance

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

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

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

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

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

Guidance, training, and facilitation

This risk management framework is available to all staff on the organisation's internal SharePoint system.

Specialist training will be provided as required and the Governance team provide guidance, support and advice to middle managers on risk management principles and procedures.

Training can be provided for individual officers or for elected members. Any specific requirements should be discussed with the Head of Governance.

5. Assurance

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

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

➢ An update on changes to the Strategic Risk Register within the Corporate Performance report presented to meetings of the Pensions Authority.

➢ A formal review of both the risk register, and the risk management framework presented to the Authority's Audit & Governance Committee annually.

➢ The inclusion within all reports to the Authority, its Committees and the Local Pension Board of a mandatory section allowing proper consideration of the risks involved in the proposals being made.

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

➢ Verifying the existence of risk registers and relevant action plans.

➢ Analysing whether risk management is being actively undertaken across the organisation; and,

➢ Providing appropriate advice and guidance as to further improvements in risk management processes and procedures.

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

Appendix 1

Roles and Responsibilities

The responsibility for managing risk extends throughout the organisation. It is important that all of us are aware of our roles. The following table summarises the various roles and responsibilities.

Role	Responsibilities
Pensions Authority	Responsible decision-makers and set the strategic direction of the Authority, including determination of the risk appetite. Review the Strategic Risk Register on a regular basis. Need to be fully apprised of risk consequences to inform decision making.
Audit and Governance Committee	Scrutinise and monitor the effectiveness of risk management arrangements. Obtain assurance on the effectiveness of risk and internal control arrangements.
Local Pension Board	Consider and challenge the Authority's management of risk. Seek assurance that a strong control framework and good governance arrangements are in place.
Senior Management Team	Demonstrate leadership of the risk management process. Ensure the strategic risk register is a live and up-to-date record of the Authority's risk exposure and regularly discussed within management team meetings. Operate and communicate the organisation's risk appetite. Make informed decisions about treatment of significant risks. Provide assurance to Members that appropriate risk management processes are in place across the Authority.

Role	Responsibilities
Middle Managers	Ensure their service's operational risk register is a live and up-to-date record of the operational risk exposure and regularly discussed within team meetings. Understand where an operational risk has a corporate or strategic impact and escalate accordingly. Contribute to the strategic risk management process through identification and management of risks associated with service area. Ensure relevant staff have appropriate understanding of risk management.
Project Leads	Ensure risk is appropriately considered within business cases and procurement reports submitted. Ensure risks are appropriately monitored throughout the lifecycle of projects. Escalate significant risks to the Senior Management Team.
Risk Owners	Understand their accountability for individual risks and the controls in place to manage those risks. Understand that risk management and risk awareness are a key part of the Authority's culture. Report promptly and systematically to senior management any perceived risks or failures of existing control measures.
Governance Team	Develop and maintain the risk management strategy and framework. Ensure this is reviewed annually by the Authority's Audit & Governance Committee. Support managers in the identification and management of risks at Strategic and Operational level. Ensure training needs of all those who have responsibility for managing risk within the Authority are met.

Appendix 2

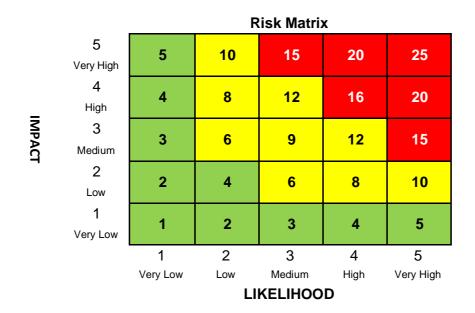## Detailed Risk Assessment and Scoring Methodology

A 5 x 5 risk matrix covering **Likelihood** and **Impact** (including 'financial' and 'other impacts') is used when assessing the level of risk.

This analysis should be undertaken by managers and supervisors with **experience in the area in question.**

Likelihood				
Very Low (1)	**Low (2)**	**Medium (3)**	**High (4)**	**Very High (5)**
Less than a 5% chance of circumstances arising OR Has happened rarely/never	5% to 20% chance of circumstances arising OR Only likely to happen once every 3 or more years	20% to 40% chance of circumstances arising OR Likely to happen in the next 2 to 3 years OR Risk seldom encountered	40% to 70% chance of circumstances arising OR Likely to happen at some point in the next 1 to 2 years OR Risk occasionally encountered	More than a 70% chance of circumstances arising OR Potential occurrence OR Risk frequently encountered

Financial and Other Impacts				
Very Low (1)	**Low (2)**	**Medium (3)**	**High (4)**	**Very High (5)**
Less than 1% of budget OR Up to £100,000 OR In terms of Investment Assets: <1% change in asset values	1% - 5% of budget OR Up to £250,000 OR In terms of Investment Assets: >1% but <2.5% change in asset values	6% - 10% of budget OR Up to £1m OR In terms of Investment Assets: >2.5% but <5% change in asset values	11% - 20% of budget OR Up to £5m OR In terms of Investment Assets: >5% but <10% change in asset values	Greater than 20% of budget OR Over £5m OR In terms of Investment Assets: >10% change in asset values

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

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

Risk Matrix

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

LIKELIHOOD

South Yorkshire Pensions Authority
Oakwell House
2 Beevor Court
Pontefract Road
Barnsley
S71 1HG

Tel: 0300 303 6160

www.sypensions.org.uk

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	Progress on Agreed Management Actions	Status	For Publication
Report to	Audit & Governance Committee	Date	14 December 2023
Report of	Team Leader Governance		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Annie Palmer	Phone	01226 666404
E Mail	APalmer@sypa.org.uk		

1.   **Purpose of the Report**

1.1   To update Members on the actions being taken in response to audit review findings during the current financial year and in previous financial years.

1.   **Recommendation(s)**

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 management actions being taken to address these is a key part of providing assurance on the adequacy of the Authority's corporate governance arrangements, particularly those relating to internal control and financial and risk management.

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

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

5.   **Background and Options**

5.1 The Authority's Local Code of Corporate Governance sets out the framework in which the Authority complies with the seven principles of good governance; one of which is "*managing risks and performance through robust internal control and strong public financial management*". One aspect of achieving this is having arrangements for assurance and effective accountability in place and ensuring that findings arising from the work of both external audit and internal audit are acted upon.

5.2 The Audit & Governance 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. Further explanation regarding some of the individual items is provided below.

5.4 End to End Interfund Process: The Service Manager – Benefits has extended the target date in relation to addressing process delays caused by employers as work is being done to strengthen the escalation procedure through engagement with employers.

5.5 Progress has been made on the further development of the Information Governance suite of policies with a view to approval by SMT before the end of the year. The retention policy will be a priority in the new year however it is recognised that this links to a larger piece of work on the asset register and may require a revised target date.

5.6 Following the Procurement Compliance follow up audit this year, three new areas have been added. Progress has already been made with some actions already completed and we are on track to have the remainder in place by the target date. The CIPFA training for relevant members of staff is scheduled to take place in January and the gateway approval document is being trialled in a number of current procurements before being rolled out as part of the planned training session.

5.7 The progress of implementation of agreed management actions will continue to be reported to the Audit & Governance 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

Background Papers	
Document	**Place of Inspection**
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
End to End Interfund Transfer In 2022/23 - Interfund Transfer Process Delays	May 2023	Delays in the interfund process may impact on the member's ability to transfer their previous pension rights and impact on the benefits available to them when accessing their pension. A review of the reminder process is required which will consider the frequency of reminders issued, content within standard reminder documentation and how reminders are evidenced on the UPM system to provide for a complete audit trail.	The reminder process review has now been completed. The outcomes evidence that many of the delays are relating to delays in employers providing information. Whilst we have no control over the ceding schemes processes, action is being taken to assess how these issues can be escalated with the employers via engagement. The target has been extended to allow time to put a robust escalation process in place along with the following actions: • Review of the wording within the reminders to ensure employers are aware of the impact being caused due to no response. • Communication to the benefit teams to ensure all reminders are processed as new ones so we have evidence of the dates they were sent. • Further review of the intervals that reminders are be sent	Service Manager – Benefits Revised from September 2023 to December 2023
End to End Interfund Transfer In 2022/23 - Lack of Escalation Procedure	May 2023	A formal escalation route to report issues / concerns in relation to the receipt of pension contributions from the previous pension provider is required.	Pensions officers currently raise any issues around delays with their Team Leader or Service Manager and emails of this escalation are scanned to the members' file. There is however a lack of consistency in the timeframes for escalation, this will be addressed as part of the review of reminder intervals.	Service Manager – Benefits Revised from September 2023 to December 2023

Appendix A

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Information Governance - Records Management / Document Retention Policy	2021 - updated by annual work programme of DPO	Although a Records Management Policy is in place, it is acknowledged that this is currently lacking a sufficient level of detail to make it a practical basis for determining document retention for the many different categories of records across the organisation.	The initial draft suite of Data Protection documents was considered by SMT in September. Further amendments have been made in order to ensure distinct policies for scheme members and for corporate data protection. The breach process has been reviewed and a revised internal breach reporting form developed. This will be tested and then rolled out early in the new year. The review of the retention policy is scheduled to follow on from the above, however it is likely that, due to the large amount of work that will be required to carry out a robust review of this, the target date will need to be extended.	Head of Governance Revised from September 2023 to January 2024
Pensions Admin System PIR - Improvement Plan	June 2023	An up-to-date Improvement Plan that captures all gaps and areas for improvement arising from the review of the Specification of Requirements is required to assist in monitoring delivery of agreed actions.	Whilst the Improvement Plan and associated actions were being reviewed within the monthly account meetings, regulatory changes have impacted and delayed their implementation, these will be re-prioritised in the new year. The RAG rated actions in the plan were reviewed by the Interim Assistant Director – Pensions and the new Assistant Director- Pensions will continue to have oversight of these.	Service Manager - Pensions Systems Revised from September 2023 to January 2024

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Pensions Admin System PIR - User Acceptance Testing	June 2023	Detailed and timely user acceptance testing is required to mitigate increasing the risk of adopting a system that is not fit for purpose and upon which to supplier has not fulfilled its contractual obligations.	AMA: The work to be delivered by CIVICA on improvements to Monthly Data Collection and Aggregations is expected around August 2023. A plan and project management approach for UAT will be in place to ensure this is carried out promptly and properly documented in order to ensure the updates are rigorously tested and feedback provided to CIVICA as required. This UAT will involve the Systems team and relevant teams in Pensions Admin who are the main users of the processes being tested. Internally, any system improvements would be tested within 1 month of receiving a release with a focus on the changes mentioned in the release notes from CIVICA. The Database Management improvements require an update from CIVICA, which has been requested and is being monitored by the Head of ICT. Update: The review of new MDC process has dropped down the list of priorities from both a CIVICA and SYPA perspective due to other work priorities. This will be a focus for the new year.	Service Manager - Pensions Systems Revised from September 2023 to January 2024
PA - Pensions Savings Statements 2022/23 - I2 - Improvement Plan		An Improvement Plan that captures all issues / concerns arising from the annual Pension Savings Statement exercise is required to effectively manage and monitor delivery of agreed actions to full implementation and the Service's ability to address the concerns identified and complete the exercise by the deadline.	The process has been dealt with in a timelier manner this year by working with the Benefits Team and employers to obtain pay figures and use estimated figures. This has enabled more cases to be processed by the deadline date. The target date has been changed to match the remainder of this project.	Team Leader - Support Revised from September 2023 to December 2023

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Risk Management 2022/23 - Operational Procedures	August 2022	Lack of operational procedures and relevant training may result in uncertainty of roles and responsibilities, inconsistencies in processes, failure to adhere to requirements.	AMA: As part of the plan to involve middle management in the risk management work, we will provide training and produce an operational guidance / procedure document for reference to complement and support the Risk Management Framework already in place. Update The majority of this has been completed – specialist training was delivered to senior and middle managers together in September 2023. The risk management framework is in the process of being updated to reflect changes identified from the training and a full review of the strategic risk register was carried out in November 2023 involving middle managers as well as senior managers. The next stage is for middle managers to create their own Operational Risk Registers for each of the teams, which will be done on a phased basis. The Governance Team will aim to build their Operational Risk Register on Pentana to use as a template for other teams during January and February 2024.	Head of Governance Revised from September 2023 to February 2024

Table 2: Actions Fully Completed Since Last Report

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Pensions Admin System - LGPS User Group Action Log	June 2023	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 proactively managed, monitored and escalated where concerns arise.	Minutes and actions are now being taken in account meetings. A new Civica Account Manager has been appointed and we continue to work with them to progress actions. **AMA Completed**	Service Manager - Pensions Systems Completed September 2024

Table 3: Actions Added Since Last Report

Audit Review Title	Report Issued Date	Finding / Implication and Agreed Actions	Officer Responsible and Timescale
Procurement Compliance - Procurement Governance Framework	October 2023	Guidance requires updating to mitigate the risk of not complying with legislative requirements and ensure a consistent approach be applied to procurement processes undertaken. AMA: A gateway approval document has already been created and is now being piloted. The Contract Standing Orders will be further updated as required to reflect the introduction of the Gateway Approval Document and to incorporate best practice requirements. Procurement guidance will be updated to ensure alignment with the revised CSOs and the Gateway approval document which will incorporate the standard templates required to facilitate and guide staff to follow the correct procurement procedures.	Team Leader – Governance January 2024

Audit Review Title	Report Issued Date	Finding / Implication and Agreed Actions	Officer Responsible and Timescale
Procurement Compliance	October 2023	Further assurance that legislative and regulatory requirements are in place mitigate the risk of supplier challenge. AMA: The Equality Impact Assessment and Data Protection Impact Assessment templates have already been developed and are currently being taken through a formal approval process internally before being included in the gateway approval document. The gateway approval document includes a form to evidence decisions made and the revised guidance will include the requirement for tender evaluation to be undertaken by a minimum of 2 officers.	Team Leader – Governance January 2024
Procurement Compliance - Contract Register Format and Monitoring Arrangements	October 2023	Risk of non-compliance with the requirements of the Local Government Transparency Code and ICO Model Publication Scheme as the YORTender contracts register is not in the recommended format per the Transparency Code. AMA: South Yorkshire Pensions Authority are not included in the scope of the LG Transparency Code although we do aim to meet its requirements as best practice. We have to use YORTender as our main contracts register as it is our system for contracts and procurements. Nevertheless, we will review and consider whether it would be useful to additionally publish contracts register information with any further details required separately on our website. The contracts register will be subject to enhanced monthly monitoring and management moving forward to ensure the accuracy of data / information publicised (i.e., contract values, durations including options to extend reconciled to contract documentation) for both new and existing contracts.	Team Leader – Governance January 2024