

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, 5 December 2024 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 666448
Email: governanceteam@sypa.org.uk

WEBCASTING NOTICE

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

You should be aware that the Authority is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Authority's published policy.

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

Distribution

Councillors: D Sutton (Chair), J Church, S Clement-Jones, D Fisher, N Wright and D Nevett.

Contact Details

For further information please contact:

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

Tel: 01226 666448

governanceteam@sypa.org.uk

AUDIT AND 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 AND GOVERNANCE COMMITTEE

**THURSDAY, 5 DECEMBER 2024 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT,
PONTEFRACT ROAD, BARNSELEY, S71 1HG**

Agenda: Reports attached unless stated otherwise

	Item	Pages
	<u>Committee Administration</u>	
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 26/09/2024	5 - 12
	INTERNAL AUDIT	
7.	Internal Audit Progress Report	13 - 22
8.	Internal Audit Plan Consultation Paper for 2025/26	23 - 26
	EXTERNAL AUDIT	
9.	Auditor's Annual Report	27 - 46
10.	External Auditor's Year End Report - Authority	47 - 76
11.	External Auditor's End Report - Fund	77 - 110
	GOVERNANCE	
12.	Annual Review of Risk Management Framework 2024/25	111 - 148
13.	Whistle Blowing and Fraud and Counter Corruption Policies	149 - 168
14.	Progress on Agreed Management Actions	169 - 174

SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE**19 SEPTEMBER 2024**

PRESENT: Councillor Donna Sutton (Chair)

Councillors: James Church, Simon Clement-Jones, David Fisher and David Nevett

Trade Unions: Phil Boyes (UNITE), Nicola Doolan-Hamer (Unison) and Garry Warwick (GMB)

Officers: George Graham (Director), Gillian Taberner (Assistant Director - Resources), Jo Stone (Head of Governance and Corporate Services), William Goddard (Head of Finance and Performance) and Gina Mulderrig (Governance Officer)

Sharon Bradley and Caroline Hollins (Corporate Assurance BMBC)

Richard Lee, Elizabeth Wharton and Josh Parkinson (External Audit KPMG)

Apologies for absence were received from Councillor Neil Wright

1 **WELCOME, INTRODUCTIONS AND APOLOGIES**

Apologies noted as above.

2 **ANNOUNCEMENTS**

None.

3 **URGENT ITEMS**

None.

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

None.

5 **DECLARATIONS OF INTEREST**

None.

6 **MINUTES OF THE MEETING HELD ON 11/07/2024****RESOLVED: That the minutes of the meeting held on 11 July 2024 be agreed as a true record.**7 **2024/25 QUARTER 2 INTERNAL AUDIT PROGRESS REPORT**

The Head of Corporate Assurance presented the report to provide a summary of the Corporate Assurance Team's completed internal audit activity, and the key issues arising from it, for the period 10th June 2024 to 31st August 2024.

Members queried whether the second of two planned Investment Strategy assignments was on target to be delivered and were reassured by the Head of Corporate Assurance that it was on course to be completed by the end of the financial year.

RESOLVED: Members considered the report and requested further information from the Corporate Assurance Team as necessary.

8 INTERNAL AUDIT EFFECTIVENESS REPORT

The Head of Corporate Assurance presented the report to inform the Committee of the current position in terms of implementation of the agreed actions reported to the Committee at its September 2023 meeting, following the External Quality Assessment (EQA) undertaken by CIPFA in July 2021, and to update in terms of the review of the Public Sector Internal Audit Standards (PSIAS).

Members noted the lack of Contingency Plan Days in the revised plan and queried whether this might cause any issues.

The Head of Corporate Assurance explained that Corporate Assurance plan was a flexible plan and there was no concern over the lack of contingency days given SYPA senior management and the Corporate Assurance team work closely together and keep one another updated.

Members asked whether any internal audits or cold reviews were carried out throughout the course of the External Quality Assessment period and the Head of Corporate Assurance confirmed that a full self assessment procedure and an internal quality assurance process in line with the required standards.

Members noted the upcoming publication of the revised Public Sector Internal Standards (PSIAS) in Autumn 2024 and asked how this would affect the Authority. The Head of Corporate Assurance explained that this publication of the revised PSIAS would not affect ongoing work and deadlines and that it would be up to CIPFA and the Institute of Internal Auditors to take stock of the revisions and communicate the goals and requirements to the public sector.

RESOLVED: Members

- a. **Considered and assessed the proposed QAIP Framework which sets out how it will meet the requirements set out in the PSIAS.**
- b. **Agreed that the Committee were to receive an updated report following the self assessment by Corporate Assurance against the revised PSIAS (expected to be published in Autumn 2024) and then an annual update report on the delivery of the QAIP thereafter.**

9 INTERNAL AUDIT CHARTER 2024 TO 2027

The Head of Corporate Assurance presented the Internal Audit Charter for approval as required by the Public Sector Internal Audit Standards (PSIAS) and were assured that the function operated in accordance with the relevant standards.

RESOLVED: Members considered and approved the Corporate Assurance (Internal Audit) Charter and were assured that the function operated in accordance with the relevant standards.

10 VALUE FOR MONEY RISK ASSESSMENT 2023/24

Richard Lee, the external auditor from KPMG, presented the draft report of the Value for Money Risk Assessment for the year ended 31 March 2024 to the Audit & Governance Committee.

Members queried the statement in the report that the Authority 'does not currently outsource any significant services' in the context of pooling. The external auditor clarified that this report related specifically to the Authority and not the Fund and that the statement was therefore correct.

Members praised the finding that the Authority's pension administration costs were below the adjusted peer average but asked whether the status of 'No significant risk identified' regarding financial sustainability remained appropriate given the increase in staff costs over the last year given staff costs comprise the majority of expenditure and offer limited opportunity to enact significant cost saving.

The external auditor explained that they were comfortable with the staff costs and financial arrangements and maintained that 'No significant risk identified' regarding financial sustainability remained appropriate.

RESOLVED: Members noted the Value for Money Risk Assessment 2023/24.

11 EXTERNAL AUDITORS FINAL REPORT ON THE 2023/24 AUDIT - AUTHORITY

External audit Director Richard Lee and Audit Manager Josh Parkinson from KPMG presented their report on the external audit of the financial statements 2023/24 of the Authority and explained that the audit was fundamentally complete with the outstanding matters noted in the report and that there had been no adjustment to risk ratings since the last time the Committee were shown the report but that the final disclosures, consistency check and quality review were yet to be undertaken.

The external auditor explained that there was one significant outstanding matter regarding new information on pension assets in the financial statements concerning whether it was correct to have made an adjustment to the prior year statements or whether it was qualitatively immaterial. The outcome of an upcoming meeting of the National Audit Office Technical Group will inform how this matter is dealt with by SYPA.

Members asked for clarity on the control deficiency finding in the report concerning management review of actuarial assumptions.

The external auditors explained that this internal management review control by SYPA did not meet the very strict control requirements as devised by the revised ISA315 auditing standards because it does not allow for objective criteria for review by a third party expert. The audit director explained that he is obliged to bring it to the attention of the Committee in this first report and will continue to monitor the situation. The Authority's Director advised members that this was essentially a conflict of auditing standards and local government accounting. Management are satisfied with the assumptions of an expert external actuary and would not consider it value for money to audit the external actuary, as would be required by ISA315, and are thus comfortable with not meeting this control as defined by auditing standards. KMPG confirmed the impact of not meeting this standard was qualitatively immaterial and it was the role of the Authority to be satisfied with the submission of the accounts as prepared.

The Committee questioned why the irrecoverable VAT expense incurred in this year was not identified as a significant deficiency. The external auditor explained that the cost was the result of a one-off piece of work relating to Project Chip that will not need to be repeated. The Head of Finance confirmed that this was a one-off issue that was identified and resolved with specialist VAT advice. This is partly due to the unique arrangements of the Authority and the Fund and the VAT position was currently being reviewed with a view to moving to a more standard arrangement for VAT recovery

Members queried the fee variation to cover additional work regarding ISA315r and why the charge was put to this year rather than the previous year.

The external auditor explained that, as the additional work had not been factored into the standard fee set by Public Sector Audit Appointments Ltd (PSAA), a methodology was nationally agreed for identifying the costs associated with the ISA315r standard on which the proposed fee variation was based. The external auditors explained that this fee will be incorporated to the scale fee set by PSAA going forward.

RESOLVED: Members noted the Final Report on the 2023/24 External Audit of South Yorkshire Pensions Authority.

12 EXTERNAL AUDITORS FINAL REPORT ON THE 2023/24 AUDIT - FUND

External audit director Richard Lee and senior manager Elizabeth Wharton from KPMG presented their report on the external audit of the 2023/24 financial statements of South Yorkshire Pension Fund.

Members queried the outstanding parts of the report and how this delay would affect statutory deadlines for publishing the audited statement of accounts on 30 September 2024.

The external auditor expressed that KMPG were committed to delivering the complete report as soon as possible but that it would be unsafe to offer an opinion before all work was concluded. It was also explained that a statutory instrument had just been laid which introduced a series of 'backstop' dates for publication of local authority audited accounts, meaning that the required date in respect of 2023/24 accounts is now 28 February 2025.

The external audit director reiterated that this was KPMG's first year as auditors and therefore members can expect that the delivery of reports in subsequent years will improve in efficiency as they are able to build on established work.

Members questioned the external auditor's independent valuation of the Fund's property portfolio and how this was reconciled against SYPA's own valuation. The external auditor explained they had used their own property valuation specialists to evaluate the assumptions underlying the valuations for a selection of the directly held property portfolio and the work included direct discussion with the Fund's property valuer.

RESOLVED: Members noted the Final Report on the 2023/24 External Audit of South Yorkshire Pensions Authority Fund.

13 EXTERNAL AUDITORS ANNUAL REPORT 2023/24

Richard Lee, the external auditor from KPMG, presented a verbal update on the External Auditors Annual Report 2023/24. It was explained that that report was not yet complete due to delays in the availability of required information but that this would be circulated to the Committee as soon as possible. No urgent matters were drawn to the attention of members but the external auditor advised they could not give any judgement to the Committee until the report was complete.

RESOLVED: Members noted the verbal update.

14 LETTER OF REPRESENTATION 2023/24

The Head of Finance and Performance presented the report to seek Members' approval of the Chief Finance Officer's formal letter to the Auditor giving representations regarding the information in the Statement of Accounts for 2023/24, as set out in the Accounts and Audit Regulations 2015. It was confirmed that there were no specific representations and no unadjusted differences. KPMG advised that they would also issue a formal letter in respect of the Fund when they were in a position to do so.

RESOLVED: Members authorised the Chair of the Audit and Governance Committee to sign the Letter of Representation on behalf of the Authority.

15 APPROVAL OF THE STATEMENT OF ACCOUNTS 2023/24

The Head of Finance and Performance presented the report to approve the audited Statement of Accounts 2023/24.

Members asked for clarification on the difference between staff related costs; the pay award and the pay and benefits review.

The Assistant Director – Resources explained that the pay review related to the annual local government pay award negotiated and agreed by the National Joint Council. The pay and benefits review had been a one-off internal review undertaken by the Authority, supported by an independent consultant, to benchmark SYPA's pay and benefits package, resulting in a range of enhancements aimed at improving recruitment and retention.

Members asked if there were any concerns regarding the Movement in Reserves Statement and were reassured that the Authority was in a positive position regarding the different reserves held and whilst reserves had been drawn down in the last year, the Medium Term Financial Strategy showed that these would be built back up in the coming years. It was also highlighted that the Authority's costs are met by the Fund, and that the Chief Finance Officer had no concerns regarding the level of reserves held.

RESOLVED: Members

- a. **Approved the Statement of Accounts 2023/24 attached at Appendix A**
- b. **Authorised the Chair of the Audit & Governance Committee to sign the final, audited Statement of Accounts on behalf of the Authority, including in the event of any material substantive changes required following the audit completion.**

16 2023/24 SOUTH YORKSHIRE PENSIONS AUTHORITY ANNUAL REPORT

The Director presented the report to seek approval for the Authority's Annual Report for 2023/24 for publication.

Members asked whether the external auditors, KPMG, had viewed the report. It was explained that KPMG were yet to review the report pending completion of the audit work on the Fund's financial accounts, but their review would take place before publication as they are required to issue an opinion on the consistency between the financial accounts in the annual report and the Authority's statement of accounts.

RESOLVED: Members:

- a. **Approved the Annual Report for 2023/24 at Appendix A.**
- b. **Authorised the Director to incorporate the audited accounts into the Annual Report and make any minor cosmetic and/or textual amendments required prior to publication.**
- c. **Authorised the Director to publish the Annual Report on receipt of the Auditor's consistency opinion.**

17 DATA PROTECTION POLICY STATEMENT

The Head of Governance and Corporate Services presented the report to ask the Audit & Governance Committee to consider and comment on the Data Protection Policy Statement and recommend it for approval to the Authority.

RESOLVED: Members considered and recommended the Data Protection Policy Statement for approval to the Authority.

18 PROGRESS ON AGREED MANAGEMENT ACTIONS

The Head of Governance and Corporate Services presented the report to update Members on the actions being taken in response to audit review findings during the current financial year and in previous financial years.

RESOLVED: Members:

- a. Note the progress being made on implementing agreed management actions.**
- b. Consider if any further information or explanation is required from officers.**

CHAIR

This page is intentionally left blank

Agenda Item

Subject	Internal Audit Progress Report	Status	For Publication
Report to	Audit and Governance Committee	Date	05/12/2024
Report of	Head of Corporate Assurance (Internal Audit)		
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 Corporate Assurance Team's internal audit activity completed, and the key issues arising from it, for the period 1st September 2024 to 17th November 2024.
- 1.2 To provide information regarding the performance of the Corporate Assurance Team 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 the Corporate Assurance Team 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 the Corporate Assurance Team 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 Corporate Assurance produces an Annual Report (reported into the July Committee meeting), which provides an 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 service provided by the Corporate Assurance 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 (Corporate Assurance) 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

Sharon Bradley CMIIA
Head of Corporate Assurance

Background Papers	
Document	Place of Inspection
Background papers and other sources of reference include: Corporate Assurance Charter 2024-26, Annual Plan 2024-25, Individual Assurance Reports, MK Insight (Audit Management System), Public Sector Internal Audit Standards 2017	Barnsley Metropolitan Borough Council, Westgate Plaza, Barnsley.

South Yorkshire Pensions Authority Corporate Assurance (Internal Audit) Progress Report

Audit and Governance Committee

5th December 2024

The matters arising in this report are only those which came to our attention during our corporate assurance 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.

CORPORATE ASSURANCE (INTERNAL AUDIT) PROGRESS REPORT 1st September 2024 to 17th November 2024

Purpose of this report

This report has been prepared to update the Committee on our activity for the period 1st September 2024 to 17th November 2024, 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 Corporate Assurance Team during the period.

Corporate Assurance (Internal Audit) Plan Progress 2024-25

The following table shows the progress of the corporate assurance plan 2024-25 up to the 17th November 2024, analysed by the number of planned assignments and days delivered by Service Area.

To date, we have delivered 44% of the total planned days. The 2024/25 plan (as in previous years) is profiled more heavily towards the end of the financial year and Corporate Assurance 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 17th November 2024 - Plan Days Delivered

2024/25 Plan	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance & Resources	80	80	29 (33%)
Pensions Administration	10	10	10 (12%)
Authority Wide	54	56	24 (27%)
Investment Strategy	26	26	9 (10%)
Corporate Services	28	28	16 (18%)
Contingency	2	0	
Chargeable Planned Days	200	200	88 (44%)

Position as at 17th November 2024 – 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	2	2	2
Pensions Administration	2	0	0	1
Investment Strategy	2	0	0	1
Corporate Services	1	1	1	1
Authority Wide	2	0	0	1
Total	15	3	3	6

Changes to the 2024/25 Plan

At the beginning of the year provision is made in the allocation of corporate assurance resources for unplanned work, through a contingency. As requests for work are received, or more time is

required for jobs or changes in priorities are identified, time is allocated from this contingency. There has been one change to the plan during this period. This is: -

- New – Review of the Customer Service Contact Centre (from the DPO Assurance days, coverage was to be determined during the year).

Final Reports Issued

The following reports have been issued during the period.

Assurance Assignment	Assurance Opinion	Number of recommendations raised:			Total	Agreed
		High	Medium	Low		
Finance & Resources: Pensions Administration System	Reasonable	0	1	2	3	3
Finance & Resources: Authority Staff Payroll	Substantial	0	0	0	N/A	N/A
Corporate Services: Corporate Strategy	Substantial	0	0	1	1	1
Total		0	1	3	4	4

Other Corporate Assurance work undertaken

Assurance 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 assurance 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.
Audit and Governance Chair – Briefing Session	To deliver a briefing session on the role of Internal Audit and the Committee.
National Fraud Initiative	Time allocated to provide assurance that the NFI data matching exercises have been undertaken.
DPO Assurance	Time allocated for IA to undertake reviews commissioned by the Data Protection Officer.
Performance Management Framework	To provide advice, support, and guidance to management during the design and implementation of the Performance Management Framework.
Investment Management System – Design and Implementation	To provide advice, support, and guidance to management during procurement and implementation of the new Custodian.
Climate Change and Net Zero Carbon	To provide assurance that the Authority is complying with the requirements of the TCFD.

Work in Progress

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

Directorate- Assurance Assignment	Pre-Planning	Work in Progress	Draft Report
Finance & Resources: Fund Contributions		✓	
Finance & Resources: Other Benefits		✓	
Finance & Resources: Pension Payroll		✓	
Finance & Resources: Customer Service Contact Centre	✓		
Finance & Resources: Verification of Assets	✓		

Follow-up of Corporate Assurance Report Management Actions

The following table shows the status of agreed 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	4	1	0	2	1
TOTAL	4	1	0	2	1

The Corporate Assurance Team 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.

Corporate Assurance Team performance indicators and performance feedback for 2024/25 (Quarter 2)

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

Ref.	Indicator	Frequency of Report	Target 2024/25	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an assurance report.	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final assurance reports issued within 10 working days of completion and agreement	Quarterly	80%	100%	100%

Ref.	Indicator	Frequency of Report	Target 2024/25	This Period	Year to Date
2.2	of the draft assurance report. Percentage of chargeable time against total available.	Quarterly	73%	64%	64%*
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0.73 days	0.73 days*
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
4.1	Total costs v budget.	Quarterly	Within budget	Yes	Yes

* The chargeable time indicator in Q1 and 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 questionnaire responses received (noted "good" or "very good") relating to work concluding with an assurance report.	Client Sponsor and Operational Lead Questionnaires are circulated at the end of each piece of work. The questionnaires ask specific questions covering the effectiveness of pre-planning, communication, timing, and quality of the assurance 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 assurance process are monitored and improved.
2.1	Percentage of final assurance reports issued within 10 working days of completion and agreement of the draft assurance report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of Senior Corporate Assurance staff to clear the report and any issues the Service's quality assessment process highlights along with the availability of the client sponsor.
2.2	Percentage of chargeable time against total available.	A key operational measure of the 'productivity' of the Corporate Assurance Team taking into account allowances for administration, general management, training, and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	The Corporate Assurance Team 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 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 Corporate Assurance's Opinion

The Head of Corporate Assurance, as Head of Internal Audit for the Authority, must deliver an annual assurance 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 year, based on work completed to date, it is anticipated that a **Reasonable** (positive) overall assurance opinion will be provided.

Corporate Assurance Contacts

Contact	Title	Contact Details
Sharon Bradley	Head of Corporate Assurance	Mobile: 07795 305846 Email: SharonBradley@barnsley.gov.uk
Caroline Hollins	Corporate Assurance Manager	Mobile: 07809 103249 Email: CarolineHollins@barnsley.gov.uk

KEY TO CORPORATE ASSURANCE (INTERNAL AUDIT) GRADINGS AND CLASSIFICATION OF IMPLICATIONS

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

- High** Requires immediate action – imperative to ensuring the objectives of the system under review are met.
- Medium** Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
- Low** Action is advised to enhance control or improve operational efficiency.

2. **Assurance Opinions**

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

Page 22

Agenda Item

Subject	Internal Audit Plan Consultation Paper for 2025/26	Status	For Publication
Report to	Audit and Governance Committee	Date	05/12/2024
Report of	Head of Corporate Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	Phone	07795 305846
E Mail	SharonBradley@barnsley.gov.uk		

1. Purpose of the Report

- 1.1 The purpose of this paper is to set out the annual internal audit planning process and to consult with the Audit and Governance Committee with regard to potential projects for inclusion in the draft internal audit plan for 2025/26.

2. Recommendations

2.1 It is recommended that: -

- i) **Members consider the proposed planning process and be satisfied that it is sufficiently robust that it will determine a value-adding internal audit plan, informed by risk and through consultation with appropriate senior management.**
- ii) **Members consider potential projects for consideration in the Internal Audit Annual Plan for 2025/26, all nominations to be passed through the Chair for notification to the Head of Corporate Assurance.**
- iii) **Members acknowledge the professional responsibility of the Head of Corporate Assurance to ultimately determine the plan of internal audit work.**

3. Background Information

- 3.1 The annual Internal Audit planning process for 2025/26 has commenced. The following actions will be undertaken during this process: -

- Consideration of the strategic risk register and recorded mitigation actions.
- Consideration of historical and topical issues as well as horizon scanning to attempt to identify any major issues that might affect the controls, risk, or governance of the Authority.
- Consideration of issues to provide assurances to the Assistant Director Resources (Chief Finance Officer) in meeting her statutory responsibilities.
- Consultation with the Senior Management Team responsible for the delivery of services.
- Consultation with the Audit and Governance Committee with responsibility for overseeing delivery of the work of Internal Audit.

- 3.2 The consideration of the areas of work to be included in the Internal Audit Plan will have cognisance of risk and strategic significance. Professional internal audit standards require

audit work to be risk informed and therefore it is important that in the process of audit planning, risks within the area under consideration have been identified by management.

- 3.3 The review of financial systems is completed on a 3-year cyclical basis, unless there is evidence of significant change in the risk profile which may warrant more frequent and detailed coverage. This approach was agreed as part of the annual planning process for 2024/25 with the Assistant Director Resources and will be reviewed again for 2025/26.
- 3.4 A key part of the Internal Audit planning process is to ensure sufficient overall coverage is provided across the Authority to enable the Head of Corporate Assurance to give an annual opinion on the effectiveness of the Authority's control, risk, and governance arrangements. In addition, and where possible, capacity will be provided for advisory support to management.
- 3.5 Irrespective of any resource limitations it is important that the planning process identifies all areas of work that Corporate Assurance (Internal Audit) and management are concerned about and are therefore seeking assurance on. Should the areas requiring assurance extend beyond the resources (and sometimes the capability) of Corporate Assurance, the Audit and Governance Committee and management need to be satisfied that alternative sources of assurance are identified and resourced. Through further consultation the process of allocating indicative audit days is applied to produce a draft plan.
- 3.6 The Audit and Governance Committee is therefore requested to consider key risk and areas of concern where they feel internal audit coverage may be appropriate. In view of the timetable for meetings and eventual agreement of the Annual Plan members are asked to provide the Chair with suggestions for collation and notification to the Head of Corporate Assurance by 31st January 2025.
- 3.7 The planning process, whilst focussed during January and February particularly, is a continual process. Reviews of the Plan are undertaken regularly throughout the year to ensure Corporate Assurance (Internal Audit) resources are directed at the most relevant priority areas. As such an indicative Plan will be prepared for consideration by the Committee at the March meeting with revisions and changes to the Plan being incorporated into the quarterly Progress reports.

4. Implications

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

Financial	The cost of the services of the Corporate Assurance (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

Sharon Bradley CMIIA
Head of Corporate Assurance

Background Papers	
Document	Place of Inspection
Background papers and other sources of reference include: Internal Audit Charter 2024-26, MK Insight (Audit Management System), Public Sector Internal Audit Standards 2017, Internal Audit plan.	Barnsley Metropolitan Borough Council, Westgate Plaza, Barnsley.

This page is intentionally left blank

Subject	External Audit – Auditor’s Annual Report	Status	For Publication
Report to	Audit & Governance Committee	Date	05 December 2024
Report of	Chief Finance Officer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Will Goddard Head of Finance and Performance	Phone	01226 666421
E Mail	WGoddard@sypa.org.uk		

1. Purpose of the Report

- 1.1 To present to Audit and Governance Committee the Auditor’s Annual Report, providing a summary of the findings and any key issues arising from the external auditor’s work on the Authority’s 2023/24 statement of accounts and value for money assessment.

2. Recommendations

- 2.1 Members are recommended to:
- a. **Receive and note the Auditor’s Annual Report attached at Appendix A.**

3. Link to Corporate Objectives

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

Effective and Transparent Governance

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

- 3.2 The reporting of audit findings is a key part of the overall framework of assurance and transparency.

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; the value for money assessment requires the auditor to give an opinion on the arrangements in place to secure economy, efficiency and effectiveness in our use of resources, which provides assurance as to how risks are managed particularly in respect of financial sustainability, and governance for the decision making and management of risk.

5. Background and Options

- 5.1 The Auditor's Annual Report is issued to the Audit & Governance Committee to summarise the key findings from the external audit work for the year ended 31 March 2024 and covers both the financial statements audit and the value for money assessment.
- 5.2 The report is addressed to the Authority but is also intended to communicate the auditor's key findings to external stakeholders and members of the public. The points in the report summarise the detailed findings separately reported to the Committee at its September meeting and elsewhere on this agenda. The report is prepared in accordance with the National Audit Office's Code of Audit Practice and will be published on the Authority's website alongside the accounts.
- 5.3 The report attached at Appendix A will be presented to the Committee by Richard Lee, Audit Director, KPMG.
- 5.4 The key messages included in the Auditor's Annual Report are that:
- The auditor issued their unqualified opinion on the Authority accounts on 20 November 2024.
 - The financial statements give a true and fair view of the Authority's financial performance and position for the year.
 - The auditor was satisfied that based on their work completed, the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.
- 5.5 Members are asked to receive and note the report and welcome the positive findings therein.

6. Implications

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

Financial	No additional financial implications; the costs of external audit are met from existing budgets.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Gillian Taberner

Assistant Director – Resources & Chief Finance Officer

Background Papers	
Document	Place of Inspection
None	-



Auditor's Annual Report for South Yorkshire Pensions Authority

Year-ended 31 March 2024

—

20 November 2024

Contents



Key Contacts

Richard Lee

Director

Richard.Lee@kpmg.co.uk

Josh Parkinson

Manager

Josh.Parkinson@kpmg.co.uk

James Reilly

Assistant Manager

James.Reilly@kpmg.co.uk

This report is addressed to South Yorkshire Pensions Authority (the 'Authority'). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

	Page
01 Executive Summary	3
02 Audit of the Financial Statements	6
03 Value for Money	9
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

01

Executive Summary

Executive Summary



Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of South Yorkshire Pensions Authority (the ‘Authority’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Authority.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Authority’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	<p>We issued an unqualified opinion on the Authority accounts on 20 November 2024. This means that we believe the accounts give a true and fair view of the financial performance and position of the Authority.</p> <p>We have provided further details of the key risks we identified and our response on page 8.</p>
Narrative report	<p>We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Authority</p>
Value for money	<p>We are required to give an opinion as to whether the Authority has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.</p> <p>Our opinion is that the Authority does have appropriate arrangements in place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 10.</p>
Other powers	<p>See overleaf.</p>

Executive Summary



There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Authority is taking. We may also apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Authority. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Authority does not need to take any action, however should the Authority provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have not raised any other recommendations under the Local Audit and Accountability Act.

Advisory notice

We may issue an advisory notice if we believe that the Authority has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Authority. Where we raise observations we report these to management and the Audit and Governance Committee. The Authority is not required to take any action to these, however it is good practice to do so and we have included any responses that the Authority has given us.

02

Audit of the financial statements

Audit of the financial statements



KPMG provides an independent opinion on whether the Authority's financial statements:

- Give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have issued an unqualified opinion on the Authority financial statements on 20 November 2024.

The full audit report is included in the Authority's Annual Report and Accounts for 2023/24 which can be obtained from the Authority's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Page 36

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We evaluated the selection and application of accounting policies.</p> <p>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.</p> <p>Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</p> <p>We analysed all journals through the year and focussed our testing on those with a higher risk, such as journals posted by high risk users or unusual postings to the cash accounts.</p>	<p>We identified seven journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.</p> <p>Our procedures did not identify any significant unusual transactions.</p> <p>Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. We have determined that the SYPA control does not meet these criteria. We recommend management fully document the journals review process.</p>
<p>Valuation of post retirement defined benefit obligations (DBO)</p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority’s pension liability could have a significant effect on the financial position of the Authority</p>	<p>We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation.</p> <p>Evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations.</p> <p>Performed inquiries of the Fund actuaries to assess the methodology and key assumptions used.</p> <p>Challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data.</p> <p>Vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation.</p>	<p>This funded scheme currently has a net surplus of £6.049 million. We have assessed the accounting treatment of the surplus for the scheme and noticed that the Authority has restated their position at PY to allow for the updated asset ceiling methodology agreed for the current year-end. This is in line with our expectation and we are satisfied that the accounting treatment is correct.</p> <p>Management reviews the assumptions and methodologies used in the calculation of the IAS 19 report. However, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore the control is ineffective. We recommend that management engages a third party independent expert to review and analyse the assumptions made by the actuaries.</p> <p>Based on our actuaries’ review, the overall assumptions adopted by SYPA are considered to be balanced, and within acceptable range.</p>

03

Value for Money

Value for Money



Introduction

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Authority for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	11	13	17
Identified risks of significant weakness?	No	No	No
Actual significant weakness identified?	No	No	No
2022-23 Findings (work performed by Deloitte LLP)	No significant weakness identified.	No significant weakness identified.	No significant weakness identified.

Financial Sustainability



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

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Financial Planning

- Under the National Framework and CIPFA Code of Practice, South Yorkshire Pension Authority (the Authority) must produce an annual medium term financial strategy (MTFS) covering at least 3 years, aligned to the Corporate Strategy (CS). The MTFS sets out the framework for understanding the strategic, service and financial challenges the Authority faces. It is a key part of the Authority's Budget and Policy Framework, intended to ensure that financial resources are aligned towards the delivery of the Authority's future objectives and priorities, and ensuring its medium and longer term financial sustainability. We have evidenced that the MTFS for 2023-2026 was presented to the relevant committees for review and approval in a timely manner, with appropriate challenge and scrutiny being applied around assumptions on pay settlements and loss of external income.
- Finance meet regularly to monitor overall spend against agreed budget through the regular budget monitoring process. As part of these meetings, discussions in relation to required spend for the following year's budget will be incorporated, to inform the budget setting process. Budgets are then planned by taking account of the previous year's spend, financial pressures identified throughout the current year and inflation rates. Once this initial planning process was finalised, these figures were collated into a final MTFS which was reviewed by the Assistant Director for Resources and presented to the Authority.
- The MTFS is used as a base for the annual budget and was then refined up until February when it is approved by the Authority. All movements between the MTFS and the annual budget are scrutinised by SMT before being approved. The annual budget for 2024-25 was approved by the Authority on 8th February 2024.
- Key assumptions used to produce the MTFS and annual budgets are clearly included within the respective papers that are presented and discussed at the Authority meetings in November and February, allowing for challenge and scrutiny of these key budget assumptions - such as assumed pay awards and inflation.
- Risks in achieving the planned outturn are clearly communicated within the MTFS and annual budget setting process to ensure decision makers have the appropriate information to challenge and approve the plans. These risks to achieving the financial plan are also communicated to the Authority through the quarterly financial performance reports presented.

Assessing Risks to Financial Sustainability

- Through our review of the 2024-25 annual budget and revised MTFS for 2024-2027, we noted that the Authority is forecasting a balanced position in all periods. This because the Authority will recharge an amount to South Yorkshire Pension Fund (the 'Fund') to cover its in year expenditure less a contribution from/to reserves and a levy on the district councils. We have noted that the charge to the Fund is expected to increase each year due to inflation and changes in staff costs.

Financial Sustainability



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

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

- The forecasted change in financial position over the coming years results in useable reserves decreasing from a forecasted position of £137,540 at 31st March 2024 to £109,540 by 31st March 2025. This will however increase by 31st March 2027 to £389,540. The Authority has demonstrated that it will have in place adequate reserves and resources to fund its medium term financial plans and that it is effectively supported financially by the Fund by way of its ability to recharge its expenditure in year.

Managing Financial Sustainability Risks

- From our review of the Corporate Risk Register, we have confirmed that the Authority discuss strategic, financial and operational risks through their review and challenge of the Risk Register. We also identified that within the Q3 Corporate Risk there were two risks linked to financial sustainability that have been identified by management. These relate to staff skills and knowledge to deliver key projects. The risk register sets out mitigations and plans to reduce this risk to an appropriate level.

Conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

Governance



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

We have considered the following in our work:

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

Risk Management

- The Authority's approach to risk management is outlined in its 'Risk Management Policy' and is used to help identify and assess risks to ensure a consistent methodology is used. As part of the Authority's process, these risks are identified through internal discussions and are considered across three main areas - External, New and Emerging Issues and Risk Topics – these are broken down further into sub-categories.
- The Corporate Risk Register shows that the Authority has considered the likelihood and impact of each risk with sufficient and appropriate rationale and details how the Authority intends to reduce each risk to an achievable score. Our review has demonstrated that these documents included sufficient detail and demonstrate strong and robust arrangements in place to help identify, assess and monitor both financial and operational risk.
- The Authority operates an effective risk monitoring and reporting system to ensure that there is clear ownership of risk and robust scrutiny and oversight of how risks are managed. The Corporate Risk Register is on the agenda of all SMT meeting that happen monthly with the updates presented to the Authority.
- The Authority is provided with an overview of risk management over the year. Each paper which is brought to the Authority will feature a section on the how this impacts the Corporate Risk Register which shows that it is considered at each decision making interval.

Decision Making

- There is an overarching committee structure in place in which policies and procedures are continually validated, refreshed and ratified. All relevant policies and procedures are communicated and made available to staff via the intranet. The Authority has a Code of Conduct for both members and employees, as well as the 'Authority Constitution'. Alongside the constitution sit a number of documents including the 'Scheme of Delegation', 'Contract Standing Orders' and 'Financial Regulations'. The 'Contract Standing Orders' and 'Scheme of Delegation' outline both financial limits in place for various processes within the Authority, as well as operational delegations to ensure both financial and non-financial authorisations and reviews are escalated appropriately.
- The Authority's management structure is outlined within the 'Organisation Structure' document and provides a clear and detailed overview of the roles and responsibilities of each decision making body within the management structure. With the size of the Authority and the number of staff this makes it clear to each individual who they report to. Ultimately the SMT report into the Authority Board and Audit and Governance committee.

Governance



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

We have considered the following in our work:

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

Decision Making (cont.)

- We have reviewed relevant Committee and Authority minutes as well as the supporting papers throughout the financial year. We are satisfied that there is sufficient ability for Committee and Authority members to take informed decisions based upon the detail provided in the papers presented. These papers also demonstrate that with regard to financial risks reported and recommendations made, there are detailed discussions occurring to challenge and analyse the information being presented.
- Agenda items are accompanied by front sheets offering a summary of the paper and are tailored with a section outlining the relevance to the Authority's aspirations and to service improvement, as well as any delegations required and implications identified. The summaries included are appropriate and provide a concise high level overview of the paper so relevant committee members are able to identify the key messages discussed in the wider report.
- The Authority has a comprehensive business case process to make informed decisions. Business cases are supported by a relevant Service or Project Board before being reviewed and approved by the Authority. The business case process is supported by templates and guidance. For each business case, the preparer of the template must outline their proposed business case and include three possible solutions or quotes to complete the required actions. Alongside this they must present the consequences of the business case not being approved. Within each of these options they must provide an overview, objectives, timeframe, costs, benefits and risks. The business case must also include details of the proposed financial impacts and the split between capital and revenue.

Budget Monitoring

- We found that the budget monitoring and control processes were able to identify and incorporate pressures into the financial plan to ensure it was achievable and realistic. The budgets for 2023-24 and 2024-25 were constructed based on appropriate local and national developments and we saw evidence of appropriate review and sign off. The budgets for the years are approved in February of 2023 and February of 2024
- Finance team members review each budget on a quarterly basis, and any variance is discussed with the budget holder. The budget statement viewable by budget holders includes details of the annual budget allocated and the current month and year to date (YTD) budget compared to current month and YTD actuals. As part of this review, narrative such as agreed actions to resolve negative variances on budget and forecasts are documented and discussed where necessary at the meeting of the SMT held monthly.

Governance



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

We have considered the following in our work:

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

- Financial performance is reported directly to the Authority on a quarterly basis in the form of a 'Corporate Performance Report'. The quarterly 'Corporate Performance Report' includes an executive summary to provide an overview of financial performance from a revenue, capital and reserves perspective. The detailed report provides the Authority with an update on financial performance, including forecast outturn and variances to budget, as well as an update on reserves, efficiencies, and an overview of all adjustments to the budget since the original approval. The report also provides explanations of all variances in each relevant section.
- The Authority has been kept informed of the Funding arrangements in place for 2023-24. We have also confirmed through our review of the MTFs, annual budget and Q3 Corporate Performance Report that risks to the achievement of the financial targets are regularly monitored and reviewed throughout the year. The Quarterly Corporate Performance Reports provide an update to members on where progress is up to year to date and any significant risks that may impact the achievement of both the budget for the year in question, and monitor the MTFs from both a revenue, capital and reserves perspective.

Compliance with Laws and Regulations

- Through our review of the policies such as 'Scheme of Delegation', 'Codes and Protocols', and 'Contract Standing Orders', we are satisfied that these detail the roles, responsibilities and delegation of key officers and Committees / Groups, thus detailing appropriate processes to ensure officer compliance.
- As part of the Government's commitment to greater transparency, the Authority is required to regularly publish procurement information. This means the Authority publishes details of all contracts over £5,000. The 'Contracts Register' is updated on a quarterly basis and can be seen on the website YORtender.
- Codes of Conduct are in place for Authority Members and all Service staff that set out the behaviours expected of all employees and reinforce its values and standards. A range of policies, procedures and strategies, which staff are made aware of and adhere to through awareness and training, are available to be viewed on the Authority's website. The Authority and its clerk are equipped to deal with any breaches of ethics / behaviour through the arrangements set out in the relevant codes and protocols in the Constitution.
- Through inquiries of management, we have confirmed that there have been no reported significant or repeated departures from key regulatory or statutory requirements, as well as no departures from professional standards such as CIPFA Financial Management Code, Prudential Code or Treasury Management Code.

Governance



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

We have considered the following in our work:

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

Compliance with Laws and Regulations (cont.)

- The 'Anti-Fraud and Corruption Strategy' includes reference to the Bribery Act and aligns itself with the relevant policies and procedures in place at the Authority, such as 'Anti-Fraud Policy', 'Anti-Bribery Policy', and 'Whistleblowing Policy'. These policies are all available online and provide useful knowledge for all staff with details of channels of communication and processes to follow for anyone who has concerns or suspicions of malpractice.

Conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with governance.

Improving economy, efficiency and effectiveness



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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

Identification of Cost Savings.

- The Authority takes part in a benchmarking exercise during the year which provides comparative data for other Pension Funds in England such as total pension administration costs per member and 'business as usual' costs. These were then used to identify where the Fund and Authority could be performing better in line with other providers of the same services, with the January 2024 benchmarking demonstrating that the Authority's pension administration costs of £26.77 per member were £3.35 below the adjusted peer average of £30.12. There is no formal cost saving plan at the Authority but they maintain a vigilant attitude to cost savings.
- Due to its size and nature of the expenditure, the Authority has limited opportunity to enact significant cost saving measures in regards to its non-pay expenditure. Staff costs comprise the majority of expenditure are dictated by central government pay scales. The other costs within the Authority represent a small proportion of expenditure when considered with the larger costs incurred by the Fund and as such we are satisfied that the above is inline with expectations for a entity of this size.

Monitoring of Outsourced Services

- The Authority does not currently outsource any significant services, which is in line with expectations given the nature of the entity and its operation.

Conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.



kpmg.com/uk

Subject	External Auditor’s Year End Report – Pensions Authority Audit	Status	For Publication
Report to	Audit & Governance Committee	Date	05 December 2024
Report of	Chief Finance Officer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Will Goddard Head of Finance and Performance	Phone	01226 666421
E Mail	WGoddard@sypa.org.uk		

1. Purpose of the Report

- 1.1 To present for information to the Audit and Governance Committee the external auditor’s year-end report on the key findings from the audit work carried out in relation to the financial statements of the Authority for 2023/24.

2. Recommendations

- 2.1 Members are recommended to:
- a. **Receive and note the External Auditor’s Year End Report for the Pensions Authority attached at Appendix A.**

3. Link to Corporate Objectives

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

Effective and Transparent Governance

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

- 3.2 The reporting of audit findings is a key part of the overall framework of assurance and transparency.

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.

5. Background and Options

- 5.1 The external auditor previously reported to the Committee’s September meeting on progress and key findings from their audit of the Authority’s financial statements and the work that remained outstanding at that date.

- 5.2 As part of the procedures undertaken to finalise the audit and to issue an audit opinion on 20 November 2024, the auditor has issued an updated year-end report to the Audit & Governance Committee as attached at Appendix A.
- 5.3 The report will be presented to the Committee by Richard Lee, Audit Director and Josh Parkinson, Audit Manager, KPMG.
- 5.4 Members are asked to receive and note the report.

6. Implications

6.1 The proposals outlined in this report have the following implications

Financial	No additional financial implications; the costs of external audit are met from existing budgets.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Gillian Taberner

Assistant Director – Resources & Chief Finance Officer

Background Papers	
Document	Place of Inspection
None	-

Year End Report to the Audit & Governance Committee

South Yorkshire Pensions Authority

Year end report for the year ended 31 March 2024

—

19 November 2024

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of South Yorkshire Pensions Authority, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Authority's Audit & Governance Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 7 March 2024.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Authority's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

Yours sincerely,



Richard Lee
Director KPMG LLP
19 November 2024.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is substantially complete. Page 3 'Our Audit Findings' outlines the outstanding matters in relation to the audit.

Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided for the information of the Audit & Governance Committee of the Authority; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks Page 5-8

Significant audit risks Our findings

Management override of controls	No issues identified.
Valuation of post retirement benefit obligations	We have assessed the assumptions used in the estimate to be balanced.

Key accounting estimates Page 10

Valuation of Pension Liabilities/Assets	The pension liabilities balance has remained consistent with the prior year. Based on our actuaries review, the overall assumptions adopted by SYPA are considered to be balanced, and within acceptable range.
---	---

Misstatements in respect of Disclosures Page 13

Misstatement in respect of Disclosures Our findings

Casting Errors	During our review of the file we identified casting errors which have since been corrected by management.
PYA Disclosure	The PYA disclosure contained incorrect wording stating it was a change in accounting policy rather than a correction of an error.

Number of Control deficiencies Page 11

Significant control deficiencies	0
Other control deficiencies	2
Prior year control deficiencies remediated	0

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Final consistency check of accounts
- Final disclosure checklists
- Finalise audit report and sign
- Management representation letter

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the Authority, the industry and the wider economic environment in which South Yorkshire Pensions Authority operates.

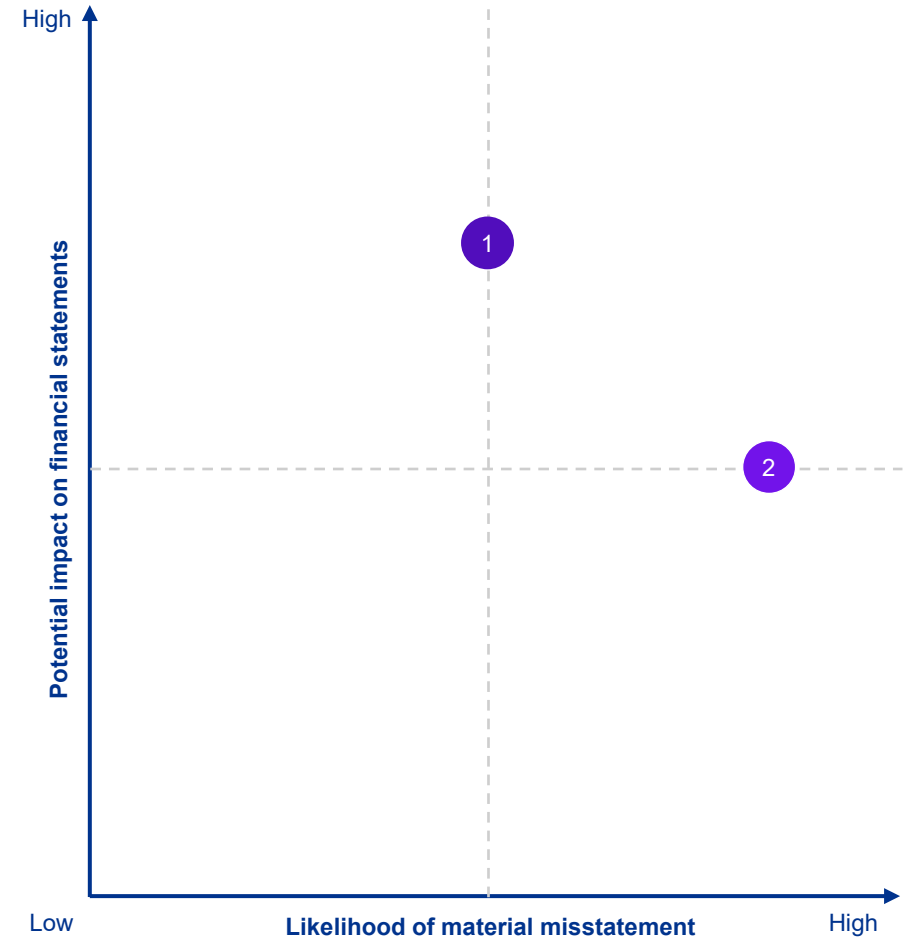
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

See the following slides for the cross-referenced risks identified on this slide.

Significant risks

1. Management override of controls
2. Valuation of post retirement benefit obligations

Key: # Significant financial statement audit risk



Audit risks and our audit approach (cont.)



Management override of controls^(a)

Fraud risk related to the unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit



Our response

- Our audit methodology incorporates the risk of management override as a default significant risk.
- We evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- We analysed all journals through the year and focussed our testing on those with a higher risk, such as journals posted by high risk users or unusual postings to the cash accounts.
- We identified seven journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- We communicated our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our procedures did not identify any significant unusual transactions.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach

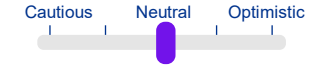
2

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Key:

Current year



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by Authority in completing the year end valuation of the pension surplus and the year on year movements.
- We have identified this in relation to the Local Government Pension Scheme membership.
- Also, recent changes to market conditions have meant that more Authorities are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our response

We have performed the following procedures :

- We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation;
- Auditing standards require auditors to identify a management control where there is a significant audit risk. We assessed Management's controls that ensure the appropriateness of actuarial assumptions for the preparation of the DBO accounting estimate;
- Evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations;
- Performed inquiries of the Fund actuaries to assess the methodology and key assumptions used;
- Challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation;
- Confirmed that the pensions disclosures adopted by the Authority are in line with IAS19 and the SORP;
- Assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of any special events, where applicable

Audit risks and our audit approach (cont.)

2

Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Key:

Current year



Cautious Neutral Optimistic



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by Authority in completing the year end valuation of the pension surplus and the year on year movements.
- We have identified this in relation to the Local Government Pension Scheme membership.
- Also, recent changes to market conditions have meant that more Authorities are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Our findings

- We acknowledge that there is a review of key assumptions by management but we do not place reliance on this control due to the lack of precision and documentation. Whilst this Management Review Control may be achieving the control objective set by management (we have not confirmed this), it does not meet the control requirements as defined by auditing standards. We do not consider this to be a significant deficiency in the internal control environment.
- The Fund actuaries (individual and entity) are professionally qualified to perform actuarial valuations and prepare IAS19 disclosure reports being Fellow of the Institute of Actuaries in the UK;
- The actuarial assumptions methodology is consistent with the prior year and compliant with SYPA reporting framework. The actuarial assumptions adopted by SYPA compared to KPMG Central Rates, are considered to be balanced overall. All individual assumptions are balanced except mortality future improvements which is cautious compared to KPMG Central Rates
- We have reviewed the inputs to the DBO estimate such as benefits paid and contributions and there are no issues noted.
- We have reviewed the pension disclosures and raised disclosure misstatement for missing disclosure of asset ceiling reconciliation and virgin media case.

Audit risks and our audit approach (cont.)

2

Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Key:

Current year



Cautious Neutral Optimistic



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by Authority in completing the year end valuation of the pension surplus and the year on year movements.
- We have identified this in relation to the Local Government Pension Scheme membership.
- Also, recent changes to market conditions have meant that more Authorities are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

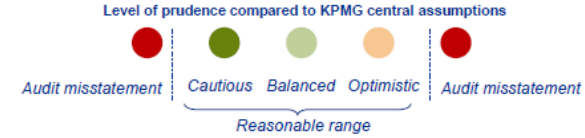


Our findings

Surplus restriction:

- This funded scheme currently has a net surplus of £6.049 million (2023: £3.903 million). We have assessed the accounting treatment of the surplus (IFRIC14) for the scheme, including the rationale of the treatment and noticed that the Authority has restated their position at PY to allow for the updated asset ceiling methodology agreed for the current year-end. This has been reflected in note 2c of the Authority's 2023/24 accounts.
- Based on this, a partial asset ceiling at 31 March 2023 equal to the value of the difference between the present value of future service costs and future service contributions is required, which resulted in an asset restriction of £2,360k.
- Management has reflected the above changes as an adjustment to the prior year accounts, for which our professional practice team have agreed with the accounting treatment.

Procedures 3-6: UK assumptions.



Overall assessment of assumptions for audit consideration						Balanced		
Underlying assessment of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG central	Assessment	Significant assumption	
Discount rate	AA yield curve	✓	✓	4.85%	4.81%	●	✓	
CPI inflation	Deduction to inflation curve with adjustment for recent inflation experience	✓	✓	2.75%	2.85%	●	✓	
Pension increases	In line with CPI	✓	✓	2.75%	2.83%	●		
Salary increases	Employer best estimate	✓	✓	CPI plus 0.6%	In line with long-term remuneration policy	●		
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	Fund-specific based on Club Vita curves	In line with Fund best-estimate	●	✓
	Future improvements	Latest available CMI model	No, however change is reasonable	✓	CMI 2022, 1.5% long-term trend rate, 0.25% initial addition parameter and default other parameters	CMI 2022, 1.25% long-term trend rate and default other parameters	●	✓
Other demographics	In line with most recent Fund valuation	✓	✓	In line with most recent Fund valuation	In line with Fund experience	●		

Employer’s assumptions are balanced except for mortality future improvements which is cautious when compared to KPMG central rates but within KPMG tolerance levels. SYPA used a long-term trend rate which is 1.5% higher than KPMG central rate which falls in the Cautious range when compared to KPMG central rates


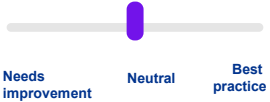

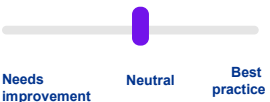
Key accounting estimates and management judgements– Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Key:
Current year



Asset/liability class	Our view of management judgement	Balance as at 31.03.24 (£m)	Balance as at 31.03.23 (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Present value of funded LGPS Liability		(26,719)	(26,375)	344		The pension liabilities balance has remained consistent with the prior year. Based on our actuaries review, the overall assumptions adopted by SYPA are considered to be balanced, and within acceptable range.
Valuation of LGPS Pension Asset		32,768	30,278	2,490		The pension assets balance has by 8% in comparison to the prior year as a result of the increase in return on assets excluding interest from (£1,838k) in prior year to £934k in current year The valuation basis is considered to be balanced.

Page 58

Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Authority's internal control. See page 23 for management's response to our findings and recommendations.

Key:



These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified 0 significant control deficiencies in the current year.



These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified 2 of such deficiencies in the current year.



These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 0 related observations in the current year.



Management review of Journals

Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. Criteria include:

- documentation requirements for the objective being tested
- consideration of the data and its reliability
- the expected precision and allowable deviations present in the control
- the consistency of application
- the predictability of inputs, the criteria for investigation / follow up and the outcome of such follow ups.

We note that whilst management were able to evidence what they deem to be an effective review process, the journal control does not meet these strict criteria and the threshold set as per the auditing standards. We recommend management fully document the journals review process. As set out above, this should include clearly defined criteria for selection of journals, confirmation that each journal selected has been reviewed along with the supporting documentation and that the posting is accurate and appropriate, and formal documentation of the review conclusions.



Management review of Actuarial Assumptions

Management review the assumptions and methodologies used in the calculation of the IAS 19 report. This includes inputs to testing such as cash flow, membership data and asset balances. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. However, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective.

We recommend that management engages a third party independent expert to review and analyse the assumptions made by the actuaries.

Significant audit misstatements

Management has approved the correction of the audit misstatements detailed on page 22 and they are reflected in the draft financial statements.

The misstatements identified, and their estimated financial impact on the deficit are summarised in the table on the right.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

- For our views on management estimates – see Page 10 (Key accounting estimates)
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in the appendix.

Audit misstatements

	Type	£	Comment
Corrected misstatements			
Irrecoverable VAT Expense	Factual	399,998	This misstatement was identified through our VAT work and has been corrected in the year end accounts. This impacted the debtors, creditors, income and expenditure and cashflow at the Authority.
Prior year Adjustment	Factual	2,359,778	The Authority has restated their position at PY to allow for the updated asset ceiling methodology agreed for the current year-end. This has received appropriate sign off from KPMG's Department For Professional Practice in respect of the accounting treatment.
Interest on asset ceiling	Factual	112,089	The misstatement was identified through our review of reconciliation of asset ceiling disclosed in the current year accounts where the impact of interest on asset ceiling is recognised in OCI rather than P&L.

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgments of management that we consider unreasonable or inappropriate

Significant audit misstatements

Management has approved the correction of the audit misstatements detailed on page 22 and they are reflected in the draft financial statements.

The misstatements identified, and their estimated financial impact on the deficit are summarised in the table on the right.

In line with ISA (UK) 450 we request that you correct uncorrected misstatements.

- For our views on management estimates – see Page 10 (Key accounting estimates)
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included in the appendix

Disclosures

	Type	Comment
Corrected misstatements		
Casting Errors	Factual	There were small casting errors in the accounts which have since been corrected by management
Prior year Adjustment	Factual	The wording in the prior year adjustment disclosure in the accounts required changing, to reflect that this was an error in the prior period calculation rather than a change in accounting policy.
Asset Ceiling reconciliation	Factual	According to IAS 19.40(a)(iii), an entity is required to include a reconciliation of the asset ceiling in its pensions note which was missing from first draft of accounts.
Virgin media case	Factual	We recommended management to include proportionate narrative disclosure in their pension note explaining the outcome of recent virgin media case along with steps taken by the management and the trustees of the scheme to determine the possible impact of this case on the financial statement of SYPA

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgments of management that we consider unreasonable or inappropriate

Other matters

Annual report

We have read the contents of the 2023/24 Narrative Report (including the Annual Governance Statement (AGS)) and audited the relevant parts of the Remuneration Report. We have checked compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 issued by Chartered Institute of Public Finance and Accountancy (CIPFA). Based on the work performed :

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the members' statements. As Councillors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for regulators and other stakeholders to assess the Authority's performance, business model and strategy.
- The report of the Audit & Governance Committee included in the Annual Report includes the content expected to be disclosed as set out in the Code of Practice and was consistent with our knowledge of the work of the Committee during the year.

Whole of Government Accounts

As required by the National Audit Office (NAO) we are required to provide a statement to the NAO on your consolidation schedule. We comply with this by checking that your summarisation schedule is consistent with your annual accounts. Our work is ongoing.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA proscribed 2023/24 audit scale fee for the audit was £148,276 plus VAT (£51,518 in 2022/23).

We propose charging a fee variation of £13,472 plus VAT to cover our additional work over ISA315r (£6,420 Fund and £3,080 Authority) and VAT partial exemption risk assessment (£3,972).

01

Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified no risks of a significant weakness in the Authority's arrangements to secure value for money.

We have no recommendations to report.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Performance improvement observations

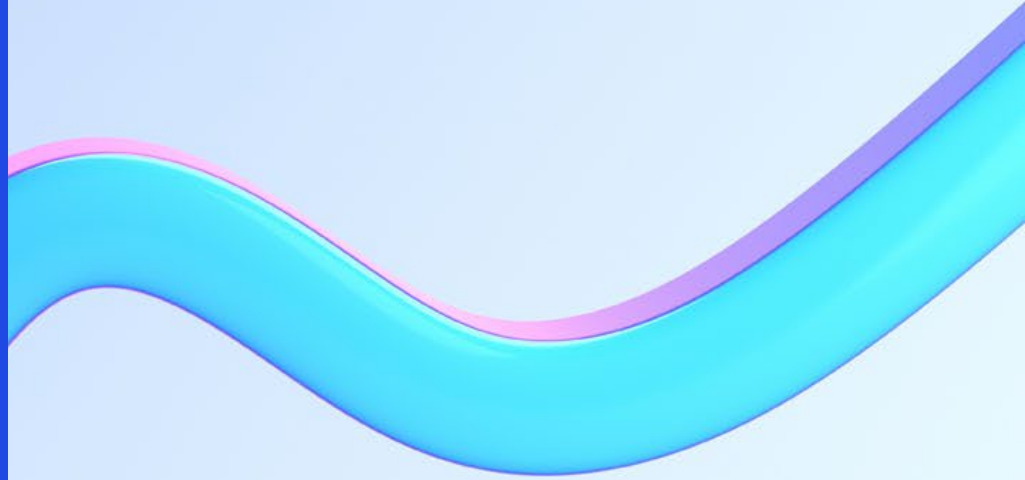
As part of our work we have identified no Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses.

02 South Yorkshire Pensions Authority Appendices

Year ended 31 March 2024

—

19 November 2024





Appendices

Contents

Page

Required communications	19
Confirmation of independence	20
Fees	21
Corrected audit misstatements	22
Non Significant Control Deficiencies	23
ISA (UK) 240 Revised: changes embedded in our practices	25
KPMG's Audit Quality framework	26

Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	<input checked="" type="checkbox"/> OK There were two adjusted audit differences with an impact on the deficit of £112,089.
Unadjusted audit differences	<input checked="" type="checkbox"/> OK There were no unadjusted audit differences.
Related parties	<input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	<input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> OK We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing in March.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> OK No actual or suspected fraud involving Authority management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	<input checked="" type="checkbox"/> OK If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type.	Response
Significant difficulties	<input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="checkbox"/> OK None.
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information. The narrative report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	<input checked="" type="checkbox"/> OK There are no independence issues. We are required to report that Richard Lee has a close family member who is a member of the South Yorkshire Pension Fund. We do not believe this presents an independence conflict.
Accounting practices	<input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> OK No significant matters from the audit required correspondence with management outside of the normal.
Certify the audit as complete	<input checked="" type="checkbox"/> OK We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.
Provide a statement to the NAO on your consolidation schedule	<input checked="" type="checkbox"/> OK We will issue our report to the National Audit Office following the signing of the narrative report and accounts. We have noted no issues to date.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Responsible Individual and audit staff is not impaired.

To the Audit and Governance Committee members

Assessment of our objectivity and independence as auditor of South Yorkshire Pensions Authority.

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the responsible individual and audit staff is not impaired.

This report is intended solely for the information of the Audit and Governance Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP
KPMG LLP

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24	2022/23
Statutory audit	148,276	45,969 ^(a)
ISA315r	9,500	-
VAT Specialist	3,972	-
TOTAL	161,748	45,969

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised. We propose charging an additional £9,500 to cover this work across the Authority and Fund (£6,420 Fund and £3,080 Authority).
- We also propose charging an additional fee for the involvement of the KPMG VAT specialists in relation to the Irrecoverable VAT expense incurred (£3,972).

Note: (a) Fee charged by Deloitte – your predecessor auditor.

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Governance Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£)				
No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Owed from Pension Fund		399,998	This misstatement was due to SYPA incorrectly expecting they could recover the VAT on project Chip. After discussion with their tax advisor they determined they would not recover the VAT and instead would expense the VAT in the period
	Dr Irrecoverable VAT Expense	399,998		
	Cr Charges to South Yorkshire Pension Fund	(399,998)		
	Cr Payables to HMRC - VAT		(399,998)	
2	Dr Interest on asset ceiling (P&L)	112,089		The misstatement was due to SYPA incorrectly recognising the interest on the LGPS asset ceiling in the OCI when it was required to be recognised in the profit and loss account.
	Cr Interest on asset ceiling (OCI)		(112,089)	
Total		112,089	(112,089)	

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations

- 1** **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2** **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3** **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Page 71

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p>Journals review Control</p> <p>Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. We have determined that the SYPA control does not meet these criteria. Full details are on Page 11.</p>	<p>We are satisfied that the journal controls in place across both the Authority and Fund are robust and effective. Assurance over the adequacy of the controls in place and their consistent application is provided from regular internal audit review, the most recent of which concluded with substantial assurance. The controls include a two-stage process for input and review /approval of journals in the system. The first stage is when a member of staff inputs the journal, attaching a working paper and any supporting documents to the system. The second stage involves a different member of management reviewing all aspects of the journal prior to approval within the Main Accounting System. Should a member of management input the journal at stage 1, a different member of management authorises the journal at Stage 2 to ensure adequate separation of duties.</p> <p>The strict criteria and threshold set per the auditing standards would essentially require management to prepare a separate journal expectation and calculation for every journal, essentially duplicating the work, which would be overly onerous and would not add value to the process, as the current controls in place are sufficient to provide a thorough review process.</p>

Control Deficiencies (cont.)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	<p>Management review of Actuarial Assumptions</p> <p>Management reviews the assumptions and methodologies used in the calculation of the IAS 19 report. This includes inputs to testing such as cash flow, membership data and asset balances. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. However, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore the control is ineffective.</p>	<p>Management instructs the external actuary each year with sufficient detail for the actuary to provide the required calculations for the IAS 19 disclosures and for this work to be carried out with appropriate professional expertise and to the required standards. Management review of the assumptions used by the actuary and their reports and supporting documentation is carried out internally by management in relation to reviewing the detailed information provided, including to ensure accuracy of the inputs used and sense check the appropriateness of assumptions based on knowledge of the accounting requirements and the circumstances of the Authority as an employer in the scheme.</p> <p>From discussion with the auditor, it would seem that the only way to meet the stringent requirements of the auditing standards for management review would entail the use of an internal actuarial specialist to review the work of our appointed actuary. Clearly this would not be feasible and would not represent value for money, as this would in essence involve duplicating the work done by the appointed actuary.</p> <p>The Authority is satisfied that the controls we have in place for review of actuarial assumptions are appropriate and sufficient.</p>

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 5. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

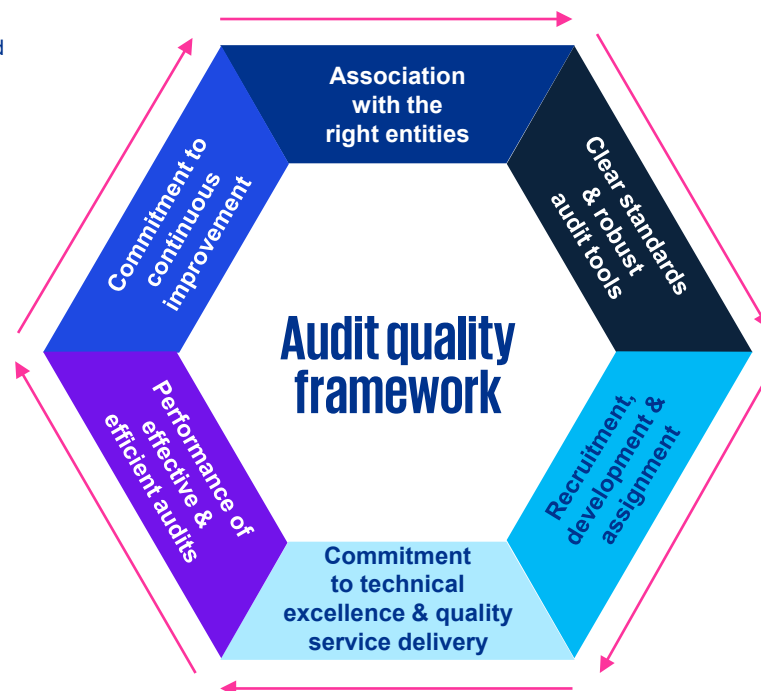
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



kpmg.com/uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Document Classification: KPMG Public

CREATE: CRT157310A

This page is intentionally left blank

Subject	External Auditor’s Year End Report – Pension Fund Audit	Status	For Publication
Report to	Audit & Governance Committee	Date	05 December 2024
Report of	Chief Finance Officer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Will Goddard Head of Finance and Performance	Phone	01226 666421
E Mail	WGoddard@sypa.org.uk		

1. Purpose of the Report

- 1.1 To present for information to the Audit and Governance Committee the external auditor’s year-end report on the key findings from the audit work carried out in relation to the financial statements of the Pension Fund for 2023/24.

2. Recommendations

- 2.1 Members are recommended to:
- a. **Receive and note the External Auditor’s Year End Report for the Pension Fund attached at Appendix A.**

3. Link to Corporate Objectives

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

Effective and Transparent Governance

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

- 3.2 The reporting of audit findings is a key part of the overall framework of assurance and transparency.

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.

5. Background and Options

- 5.1 The external auditor previously reported to the Committee’s September meeting on progress and key findings from their audit of the Pension Fund’s financial statements and the work that remained outstanding at that date.

- 5.2 As part of the procedures undertaken to finalise the audit and to issue an audit opinion on 20 November 2024, the auditor has issued an updated year-end report to the Audit & Governance Committee as attached at Appendix A.
- 5.3 The report will be presented to the Committee by Richard Lee, Audit Director and Elizabeth Wharton, Senior Manager, KPMG.
- 5.4 Members are asked to receive and note the report.

6. Implications

6.1 The proposals outlined in this report have the following implications

Financial	No additional financial implications; the costs of external audit are met from existing budgets.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Gillian Taberner

Assistant Director – Resources & Chief Finance Officer

Background Papers	
Document	Place of Inspection
None	-



South Yorkshire Pension Fund

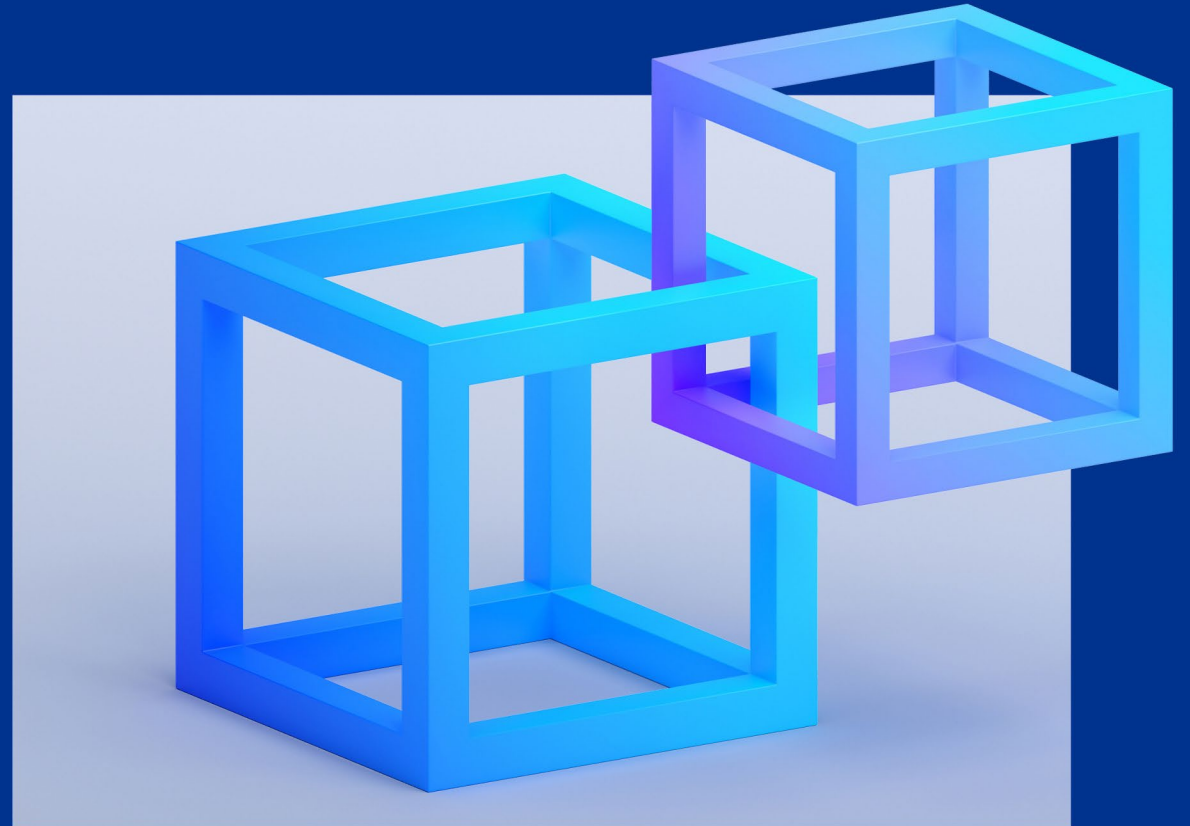
Page 79

Year End Report to the Audit & Governance
Committee

Year end report for the year ended 31 March 2024

For presentation on 19 September 2024

Updated 19 November 2024



Appendix A

Introduction

To the Audit and Governance Committee of South Yorkshire Pension Fund

We were pleased to have the opportunity to meet with you on 19 September 2024 to discuss the results of our audit of the financial statements of South Yorkshire Pension Fund, as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions.

This report should be read in conjunction with our indicative audit plan and strategy report, issued on 26 April 2024.

We will be pleased to further elaborate on the matters covered in this report when we meet.

Status of our Audit

Subject to the Administering Authority's approval, provided that the outstanding matters noted on page 5 of this report are satisfactorily resolved, we expect to issue an unmodified Auditor's Report.

There have been no significant changes to our audit plan and strategy.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,



Richard Lee

Director KPMG LLP

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.



Important notice



This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of South Yorkshire Pension Fund (the 'Fund'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Administering Authority's Audit and Governance Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Fund's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is substantially complete.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit and Governance of the Administering Authority; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings



Significant audit risks

Significant audit risks	Our findings
Management override of controls	No issues identified
Valuation of directly held property	We have not identified any issues in relation to the valuation of directly held property. We have utilised KPMG Real Estate experts as part of our work in this area.

Key accounting estimates

Valuation of directly held property	We assessed as balanced the assumptions underpinning the valuation
Valuation of level 3 pooled investment vehicles	We agreed the value to investment manager confirmations and assessed the NAV statements as reliable for a sample.
Valuation of level 1 and 2 pooled investment vehicles	We verified the pricing at the year end to an independent pricing source (where available).

Uncorrected Audit Misstatements

Understatement/ (overstatement)	£m	%
Net assets	59.5	0.5%
Net returns on investments	(59.5)	6.9%

Number of Control deficiencies

Understatement/ (overstatement)	
Significant control deficiencies	0
Other control deficiencies	3

Outstanding matters

We are finalising our audit. Outstanding matters are set out on page 5.

Expenditure recognition

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Expenditure in a pension scheme equates to payments to members and management expenses. There are no subjective issues concerning when expenses need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, timing or other policies. There is little incentive for the Fund to manipulate the financial reporting of expenses. Therefore, in the absence of specific fraud risk factors, there is no risk of fraudulent financial reporting arising from the manipulation of expenditure recognition for the Fund.

Our audit findings (cont.)



Outstanding Matters as at the date of this Report

Audit completion procedures

- Review of the final financial statements
 - Completion of our post balance sheet events review up to the date of sign off
 - Receipt of signed letter of representation and approved and signed financial statements
-

Significant risks and Other audit risks



We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the Fund, the industry and the wider economic environment in which the Fund operates.

We also use our regular meetings with senior management to update our understanding.

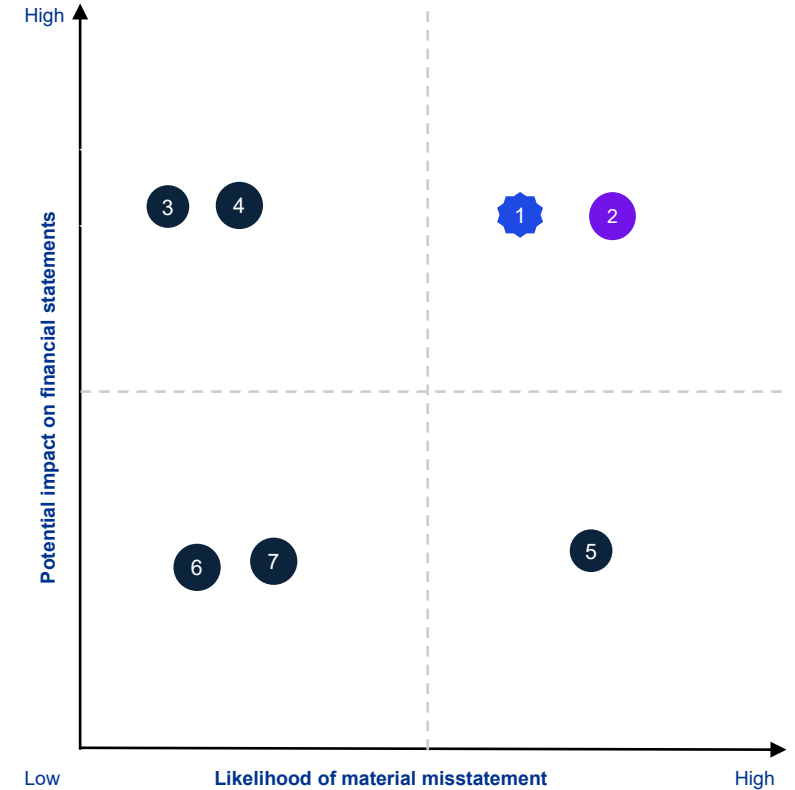
Following our risk assessment we concluded that the risk of material misstatement in respect of benefits is remote so this is no longer included as an other audit risk.

Significant risks:

1. Management override of controls
2. An inappropriate amount is estimated for the value of directly held property

Other audit risks:

3. Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded
4. Valuation of Level 1, 2 and other Level 3 investments is misstated
5. Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule
6. Cash balances are not completely identified, accurately recorded or do not exist.
7. The actuarial position of the scheme is not appropriately presented in the financial statements



KEY

- 1 Presumed significant risk
- 2 Significant financial statement audit risks
- 2 Other audit risks

See the following slides for the cross-referenced risks identified on this slide.

Audit risks and our audit approach



1 Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Our response

Our audit methodology incorporates the risk of management override as a default significant risk.

We have

- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- We performed the following over journal entries and other adjustments:
 - Evaluated the completeness of the population of journal entries.
 - Determined high risk criteria and selected journals based on this criteria for testing.

We have not identified any significant transactions (if any) that are outside the normal course of business.

Audit risks and our audit approach (cont.)



1

Management override of controls^(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Our findings

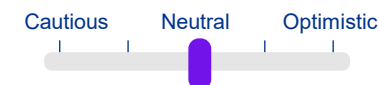
- We identified 12 journal entries and other adjustments meeting our high-risk criteria – our examination of these did not identify unauthorised, unsupported or inappropriate entries.
- We evaluated the accounting estimates in respect of the valuation of investments, and did not identify any indicators of management bias. See slide 10 to 16 for further discussion.
- Our procedures did not identify any significant unusual transactions.
- We have identified 53 transactions posted by the user 'BATCH'. We understand from our discussions that user 'BATCH' is the automated user reference applied when entering a journal using the import toolkit or for purchase ledger transactions. For journals this should then be updated after posting to record the correct user ID. We identified 5 non-purchase ledger transactions in the period April 2023 to June 2023 where this update did not take place. We understand from our discussions with management that the remaining 48 transactions are purchase ledger payment runs but we have not verified this. This does not impact our audit conclusions. See Appendix 6 for our recommendation.

Journal controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria in order to be considered effective. We note that whilst management were able to evidence what they deem to be an effective review process, the journal control does not meet these strict criteria and the threshold set as per the auditing standards. We recommend management fully document the journals review process. This should include clearly defined criteria for selection of journals, confirmation that each journal selected has been reviewed along with the supporting documentation and that the posting is accurate and appropriate, and formal documentation of the review conclusions. See Appendix 6 for our recommendation and management's response.

Audit risks and our audit approach



Assessment of accounting estimate



2 Incorrect valuation of directly held property



Significant audit risk

An inappropriate amount is estimated for the value of property due to inappropriate assumptions, errors in the underlying data or inaccurate computation of the valuation estimate. The significant risk is driven by the market assumptions due to the subjectivity and complexity involved in their determination.



Our response

- We obtained the property valuation produced by the independent valuer as at 31 March 2024 directly from Jones Lang LaSalle (the property valuer).
- We assessed Jones Lang LaSalle as a management specialist and assessed their competency as a property valuer and their work for use as audit evidence.
- We involved property valuation specialists to evaluate the assumptions underlying the properties' valuations for a selection of the directly held property portfolio, holding direct discussion with Jones Lang LaSalle in respect of the underlying assumptions used for the valuation.
- The KPMG Real Estate team have challenged the valuer on the valuation inputs and reasons for value movement, considered any comparable evidence provided by the valuer and referred to our own internal sources of comparable data, market research, benchmark yields and MSCI data throughout our review. The KPMG Real Estate team evaluated a risk based sample of properties and concluded that the valuations were balanced and reasonable.



Our findings

Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the Trustee appoints a third party (Jones Lang LaSalle) to value the property, we did not identify an associated management review or other control that that meets the requirements of the auditing standards .

Audit risks and our audit approach



3 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded



Other audit risk

Investments are held to pay benefits of the Fund. They are held with more than 100 investment managers across a number of asset classes including directly held property and pooled investment vehicles. The investments are material to the financial statements (more than 99% of the Statement of Net Assets) and therefore there is a risk of material misstatement.



Our response

We have performed the following procedures in order to respond to the risk identified:

- We gained an understanding of the processes over the completeness, existence and accuracy of level 1, level 2 and level 3 investments. This included gaining an understanding of the control environment at the Custodian (HSBC) and at Borders to Coast by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach.
- We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We vouched purchases and sales to investment manager and/or custodian reports.
- We recalculated the change in market value and compared this to the overall Fund investment return. We investigated any material deviations.



Our findings

See pages 12 to 15 for our findings.

Audit risks and our audit approach



4 Valuation of Level 1, Level 2 and other Level 3 investments is misstated



Other audit risk

Investments are held to pay benefits of the Fund. They are held as pooled investments and cash with more than 100 investment managers. The investments are material to the financial statements (more than 95% of the Statement of Net Assets) and therefore there is a risk of material misstatement.

There is a risk of material misstatement relating to fair values of level 1 and 2 pooled investments, due to the estimation uncertainty resulting from the pricing of these investments.

There is a risk of material misstatement relating to fair values of level 3 pooled investments, due to the estimation uncertainty resulting from unobservable inputs to these investments.



Our response

Our approach in relation to valuation for different types of investments is as follows:

- **Level 1 & 2 Pooled Investment Vehicles:** We recalculated the value of the Level 1 and 2 pooled investments using published pricing of the pooled investment vehicles at the year end (where available).
- **Level 3 Pooled Investment Vehicles:** For each Level 3 pooled investment vehicle investment manager, we obtained the unaudited Net Asset Value ('NAV') Statement at (or closest to) the measurement date and vouched the valuation to this. We further assessed the reliability of the NAV statement for a sample of Level 3 pooled investment vehicles by:
 - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
 - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and
 - Comparing the unaudited pricing information at the year end to the audited financial statements valuation. Where the audited financial statements are not as at the Fund year end date, we agreed them to unaudited pricing information at that date and reconcile significant movements to the Fund year end date agreeing movements to quarterly NAV/transaction statements.

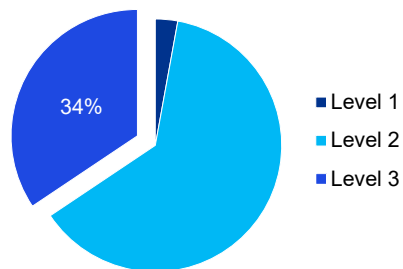
See pages 12 to 15 for our findings.



Our findings

Audit risks and our audit approach (cont.)

Level 3 Investments



Type of security	Portfolio	Market value 2024 (£m)	Percentage of portfolio 2024%	Market value 2023 (£m)	Percentage of portfolio 2023%
Inputs are unobservable (i.e. market data is unavailable)					
Directly held property		508.5	4.6%	702.0	6.9%
Pooled Investment Vehicles		3,260.6	29.7%	2,681.7	26.3%
Other		1.3	<0.1%	1.3	<0.1%
Total		3,770.4	34.4%	3,385.0	33.2%



Our findings

Type of security	Our findings	Assessment of accounting estimate
Property	Refer to Slide 10 for Commentary and Conclusion	
Pooled investment vehicles	<ul style="list-style-type: none"> The investment in Royal London Natural Capital was made after the date of the latest financial statements. We have therefore undertaken alternative procedures including assessing the year end valuation for reasonableness against the recent purchase price. The availability of information means that the draft financial statements are prepared on the basis of valuations as at 31 December 2023 adjusted for known cash movements between 1 January 2024 and 31 March 2024. Our audit procedures involved obtaining valuations as at 31 March 2024. We have identified a difference of £46m between the values in the draft financial statements and those provided by the investment managers as at 31 March 2024. This is not material to our financial statements opinion. See page Appendix 4 for details. The Fund subscribed £98.75m to the Royal London UK Real Estate Fund on 26 March 2024 and units in the Fund were purchased on 2 April 2024. As the units were not purchased until after the year end, the value of the investment was incorrectly treated as a pooled investment vehicle at 31 March 2024. See Appendix 5 for details. 	<p>Cautious Neutral Optimistic</p>

Key:
 Current year

Audit risks and our audit approach (cont.)

Level 3 Investments

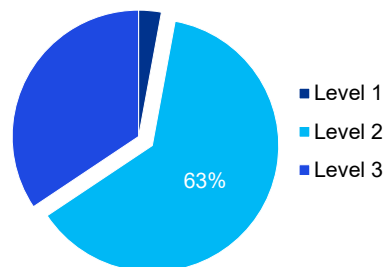


Our findings (cont.)

Type of security	Our findings (cont.)
Pooled investment vehicles	<ul style="list-style-type: none">• Our testing identified 8 loans with a value of £84.9m which were incorrectly classified as Level 3 Pooled Investment Vehicles in the draft accounts. These are direct loans in respect of individual building developments. They are valued at the lending amount as an appropriate proxy for fair value. They are therefore more appropriately classified as Direct Credit and Level 2 in the Fair Value Hierarchy. The impact in the prior year was £51.2m which is not material so no prior period adjustment is required. See Appendix 5 for details. We have agreed the value of these loans to the loan statements provided directly by the investment manager.• The Pension Fund use the quarterly monitoring reports to derive the value of the L3 PIVs in the financial statements. This does not include the cash and debtors with BCPP which are not allocated to individual funds but are part of the Pension Fund's share of the investments. The impact is an understatement of £22m. See Appendix 4 for details.• For 12 level 3 pooled investment vehicles with a value of £31.6m, we were unable to obtain investment confirmations directly from the investment managers. For these investments we have used investment confirmations obtained by the Pension Fund from the investment manager.

Audit risks and our audit approach (cont.)

Level 2 Investments



Type of security	Portfolio	Market value 2024 (£m)	Percentage of portfolio 2024 %	Market value 2023 (£m)	Percentage of portfolio 2023
Inputs are observable (i.e. market data is available)					
	Pooled Investment Vehicles	6,880.6	62.8%	6,533.6	64.2%
	Total	6,880.6	62.8%	6,533.6	64.2%

Page 92



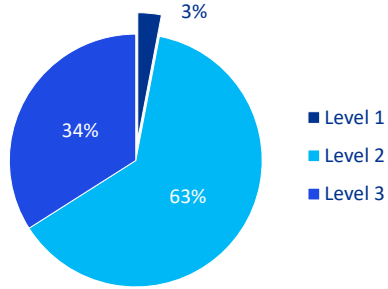
Our findings

Type of security	Our findings	Assessment of accounting estimate
Pooled investment vehicles (including hedge funds)	<p>We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.</p> <p>We verified the pricing of all of the level 2 pooled investment vehicles at the year end to an external pricing source. There are no matters arising from this testing.</p>	<p>Cautious Neutral Optimistic</p>

Key:
 Current year

Audit risks and our audit approach (cont.)

Level 1 Investments



Type of security	Portfolio	Market value 2024 (£m)	Percentage of portfolio 2024%	Market value 2023 (£m)	Percentage of portfolio 2023 %
Unadjusted quoted prices, active market					
Cash		151.7	1.4%	97.0	1.0%
Pooled Investment Vehicles		158.9	1.5%	165.6	1.6%
Other		3.3	<0.1%	2.9	<0.1%
Total		313.9	2.9%	265.5	2.6%

Our findings

Type of security	Our findings	Assessment of accounting estimate
Cash	We have agreed investment cash balances to confirmations received directly from the bank and investment manager.	
Pooled investment vehicles	As the investments are held directly by the Fund and not via an investment manager, we obtained direct confirmations from your custodian to vouch the holdings and valuation of assets at the year end. We verified the pricing of the pooled investment vehicles at the year end to an external pricing source.	

Key:
 Current year

Audit risks and our audit approach



5 Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule



Other audit risk

- Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule
- Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Revenue in a pension Fund equates to contributions receivable. This revenue is recognized based on specific instructions as set out in the appropriate schedule(s). There are no subjective issues concerning when contributions need to be recognized. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for Fund management to manipulate the financial reporting of contributions. Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension Fund audits.



Our response

Our audit procedures over contributions included:

- Inspecting that secondary contributions are received into the Fund in accordance with the Fund's rates and adjustments schedule;
- For a selection of admitted bodies inspecting whether contributions are received into the Fund on a timely basis under the requirements through vouching contributions received to bank statements;
- Developing an expectation of the normal employer and employee contributions receivable in the year reflecting changes in active members in the year, increases in pensionable salary and any changes in the contributions rates in the year and compare these to actual employer and employee contributions received in the year; and
- Vouching that there are 12 months of receipts in the year and assessing the trend of such receipts.



Our findings

There are no matters arising from our work in this area.

Audit risks and our audit approach



6 Cash balances are not completely identified, accurately recorded or do not exist



Other audit risk

- The majority of the Fund's transactions affect the cash balance it is therefore considered to be material by nature.



Our response

Our audit work included:

- Obtaining the bank confirmation directly from the bank;
- Inspecting and vouching the bank confirmation received directly from the bank to the audited entity balances within the bank reconciliation provided by the administrator; and
- Obtaining the bank reconciliation (where there are reconciling items) and vouching any significant reconciling items to supporting documentation.



Our findings

There are no matters arising from our work in this area.

Audit risks and our audit approach



8

The actuarial position of the Funds is not appropriately presented in the financial statements



Other audit risk

- The actuarial position is not recognised on the Statement of Net Assets but is disclosed in the Notes
- The value of the liability is an estimate involving the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective.



Our response

We performed the following procedures:

- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Tested the data provided to the scheme actuary to use within the calculation of the scheme valuation; and
- With the support of our own actuarial specialists, assessed whether the assumptions are compliant with the stated approach and reasonable under the flexibility provided by CIPFA and evaluated the calculation of the liability for compliance with the requirements of IAS26 and the approach outlined in the disclosure note; and carry out a high level assessment of the calculated figure on a roll forward basis.



Our findings

We are satisfied the methodology is appropriate and that assumptions are balanced and consistent with the CIPFA Code. We are satisfied that the actuarial position is fairly presented in the notes to the financial statements.

Other matters



Annual report

The Pension Fund annual report will be issued later than the financial statements. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

We have not completed any non-audit work at the Fund during the year.

See Appendix 3 for more details.

Audit Fees

Our PSAA proscribed 2023/24 audit scale fee for the audit of the Authority and the Fund was £148,276 plus VAT.

As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised. We propose charging an additional £9,500 to cover this work across the Authority and Fund (£6,420 Fund and £3,080 Authority).

We also propose charging an additional fee for the involvement of the KPMG VAT specialists in relation to the Irrecoverable VAT expense incurred (£3,972).

To date we have received three letters from other audit firms requesting that we undertake a programme of work on their behalf in respect of post retirement benefit obligations at the Fund's admitted and scheduled bodies. We will agree a fee variation with you in respect of these requests.

Appendices

Contents

- 1 Required communications
- 2 Fees
- 3 Confirmation of independence
- 4 Uncorrected audit misstatements
- 5 Corrected audit misstatements
- 6 Control Deficiencies
- 7 ISA (UK) 240 Revised: changes embedded in our practices
- 8 KPMG's Audit quality framework

Appendix 1: Required communications

Type	Response
Our draft management representation letter	<input checked="" type="checkbox"/> We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	<input checked="" type="checkbox"/> There were three adjusted audit differences with a impact on net assets of £99 million. See Appendix 5.
Unadjusted audit differences	<input checked="" type="checkbox"/> The aggregated impact on net assets of unadjusted audit differences would be £68.5m. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See Appendix 4.
Related parties	<input checked="" type="checkbox"/> There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	<input checked="" type="checkbox"/> There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	<input checked="" type="checkbox"/> We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	<input checked="" type="checkbox"/> No actual or suspected fraud involving Fund management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	<input checked="" type="checkbox"/> If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	<input checked="" type="checkbox"/> We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	<input checked="" type="checkbox"/> No significant difficulties were encountered during the audit.
Modifications to auditor's report	<input checked="" type="checkbox"/> None.
Disagreements with management or scope limitations	<input checked="" type="checkbox"/> The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	<input checked="" type="checkbox"/> No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	<input checked="" type="checkbox"/> There are no independence issues. We are required to report that Richard Lee has a close family member who is a member of the South Yorkshire Pension Fund. We do not believe this presents an independence conflict.
Accounting practices	<input checked="" type="checkbox"/> Over the course of our audit, we have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	<input checked="" type="checkbox"/> No significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	<input checked="" type="checkbox"/> We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Appendix 2: Fees



Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	148,276	45,969
ISA315r	9,500	-
IAS19 assurance letters	TBC	-
VAT specialist	3,972	-
TOTAL	161,748	45,969

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement).
- We also propose charging an additional fee for the involvement of the KPMG VAT specialists in relation to the irrecoverable VAT expense incurred.
- To date we have received three letters from other audit firms requesting that we undertake a programme of work on their behalf in respect of post retirement benefit obligations at the Fund's admitted and scheduled bodies. In addition work has been undertaken in respect of four bodies audited by KPMG.
- Additional fees will be subject to the fees variation process as outlined by the PSAA.

Note: (a) Fee charged by Deloitte – your predecessor auditor.

Appendix 3: Confirmation of Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit and Governance Committee members

Assessment of our objectivity and independence as auditor of South Yorkshire Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

We note that the Fund is one of 11 partner funds in the Border to Coast Pension Partnership (BCPP). BCPP is an audit client of KPMG LLP and KPMG LLP also provides AAF 01/20 assurance reporting for BCPP. These do not constitute non-audit services in respect of the Fund but we include them here in the interest of completeness.

Description of scope of services	Principal threats to Independence	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £m	Value of Services Committed but not yet delivered £m
AAF 01/20 reporting for Border to Coast Pension Partnership	BCPP is not considered an affiliate of the Fund and therefore provision of this service is not a threat to our independence	Fixed	£136,300	Entering year 3 of an 8 year call-off contract with future fees approximately £1.5m total (excluding inflation) for the remaining years.

Appendix 3: Confirmation of Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Appendix 4: Uncorrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Governance Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit and Governance Committee, details of all adjustments greater than £5.2m are shown below:

Uncorrected audit differences (£'000s)				
No.	Detail	Fund Account Dr/(Cr)	Net Asset Statement Dr/(Cr)	Comments
1	Dr Pooled Investment Vehicles (L3) Cr Change in Market Value	£(46.6m)	£46.6m	Being the valuation difference arising from the fact that the draft financial statements are prepared based on the valuation as at 31 December 2023 before the valuations as at 31 March 2024 were available.
2	Dr Pooled Investment Vehicles (L3) Cr Change in Market Value	£(21.8m)	£21.8m	Being the cash and debtors in respect of the Level 3 PIVs held with BCPP which are not reflected in the monitoring report used to prepare the accounts
Total		£(68.5m)	£68.5m	

Appendix 5: Corrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Governance Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the latest financial statements.

Corrected audit differences (£'000s)				
No.	Detail	Fund Account Dr/(Cr)	Net Asset Statement Dr/(Cr)	Comments
1	Dr Investment Cash Cr Pooled Investment Vehicles (L3)	- -	£98.75m £98.75m	Being the adjustment to reclassify the balance in respect of the Royal London UK Real Estate from pooled investment vehicles to cash as units were not purchased until post year end.
2	Dr Investment Management Expenses Cr Current Liabilities	£0.40m -	- £0.4m	Adjustment to recognise as an expense irrecoverable VAT on Project Chip for consistency with the treatment in the Authority financial statements
3	Dr Direct Credit Cr Pooled Investment Vehicles (L3)	- -	£84.9m £84.9m	Being the adjustment to reclassify the balance in respect of direct loans held with CBRE from pooled investment vehicles to direct credit.
Total		£0.40m	£99.15m	

Page 104

Corrected Disclosure adjustments	
Matter	Comment
Update to the corresponding disclosure notes for the reclassification of the Royal London investment above	
Update to the corresponding disclosure notes for the reclassification of the loans above	
The risk disclosures were updated to include non-sterling cash within the interest rate and liquidity risk disclosures and to treat all PIVs consistently	
The AVC disclosure was updated to remove the immaterial restatement of prior year amounts	

Appendix 6: Control Deficiencies



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

Page 105

#	Risk	Issue, Impact and Recommendation	Management Response
1	2	<p>Under the International Standards of Auditing, we are required to identify and evaluate the design and implementation of an internal control in relation to significant risks. Whilst the Trustee appoints a third party (Jones Lang LaSalle) to value the property, we did not identify an associated management review or other control that meets the requirements of the auditing standards..</p> <p>We recommend that the Fund review and challenge the valuations provided by the valuer. This process should be fully documented.</p>	<p>The Fund appoints the external valuation specialist to value its properties, in order to provide the Fund with valuations that are carried out with appropriate professional expertise and to the required standards. Management review of the valuations is carried out internally by the Investment and Finance teams in relation to reviewing the valuation reports and details within them to ensure accuracy of the inputs used and sense check based on knowledge of the portfolio and raising any queries with the valuers as required. From discussion with the auditor, it would seem that the only way to meet the stringent requirements of the auditing standards for management review would entail the use of an internal valuation specialist to review the work of our appointed valuer. Clearly this would not be feasible and would not represent value for money, as this would in essence involve duplicating the work done by the appointed valuers.</p> <p>The Authority is satisfied that the controls we have in place for Fund property valuations are appropriate and sufficient.</p>
2	2	<p>We note that whilst management were able to evidence what they deem to be an effective review process, the journal control does not meet the strict criteria and the threshold set as per the auditing standards.</p> <p>We recommend management fully document the journals review process. This should include clearly defined criteria for selection of journals, confirmation that each journal selected has been reviewed along with the supporting documentation and that the posting is accurate and appropriate, and formal documentation of the review conclusions.</p>	<p>We are satisfied that the journal controls in place across the Authority and Fund are robust and effective. Assurance over the adequacy of the controls in place and their consistent application is provided from regular internal audit review, the most recent of which concluded with substantial assurance. The controls include a two-stage process for input and review /approval of journals in the system. The first stage is when a member of staff inputs the journal, attaching a working paper and any supporting documents to the system. The second stage involves a different member of management reviewing all aspects of the journal prior to approval within the Main Accounting System. Should a member of management input the journal at stage 1, a different member of management authorises the journal at Stage 2 to ensure adequate separation of duties.</p> <p>The strict criteria and threshold set per the auditing standards would essentially require management to prepare a separate journal expectation and calculation for every journal, essentially duplicating the work, which would be overly onerous and would not add value to the process, as the current controls in place are sufficient to provide a thorough review process.</p>

Appendix 6: Control Deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response
3	③	<p>We understand from our discussions that user 'BATCH' is the automated user reference applied when entering a journal using the import toolkit. This should then be updated after posting to recorded the correct user ID. We have identified 5 journals where this update did not take place.</p> <p>We recommend that the finance team review the population of journals on a regular basis to identify all journals with the user 'BATCH'.</p>	<p>This was an issue limited to a small number of journals due to the process used for uploading large journal files into the system. It was discovered by management in May 2023, at which point it was immediately addressed by introducing a new step to our processes to ensure that the actual user ID was input to replace the automated BATCH reference. From June 2023 onwards there were no further journals posted with the BATCH reference, showing that the action taken has been effective. Additionally, management are liaising with the system supplier to request the system functionality is improved to replace the automated user reference with the user ID of the user who uploads the journal file rather than using BATCH in future.</p>
4	②	<p>The Pension Fund use the quarterly monitoring reports to derive the value of the L3 PIVs in the financial statements. This does not include the cash and debtors with BCPP which are not allocated to individual funds but are part of the Pension Fund's share of the investments.</p> <p>We recommend that management ensure that the information provide by BCPP enables them to fully record the value of the assets held with them.</p>	<p>The issue with quarterly monitoring reports was discovered during the audit of the 2023/24 Fund statement of accounts. Following investigation, we are now in dialogue with Border to Coast to request that cash and accruals are included with the quarterly monitoring reports in future.</p>

Appendix 7: ISA (UK) 240 Revised: changes embedded in our practices



Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on pages 5, 8 and 17. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

Appendix 8: KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

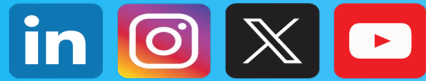
- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members



kpmg.com/uk

This page is intentionally left blank

Subject	Annual Review of the Risk Management Framework	Status	For Publication
Report to	Audit and Governance Committee	Date	05 December 2024
Report of	Head of Governance and Corporate Services		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance and Corporate Services	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 **Purpose of the Report**

- 1.1 To present the annual review of the Risk Management Framework for the Committee to consider.
-

2 **Recommendations**

- 2.1 Members are recommended to:
- a. Consider whether any additions or changes are required to the Risk Management Framework presented at Appendix A; and
 - b. Approve the updated Risk Management Framework 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 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 attached at Appendix A.

- 5.3 A copy of the strategic risk register is attached at Appendix B. This is the most recent version that was reviewed by the Authority in September. The latest review will be considered by the Authority at their forthcoming December meeting.
- 5.4 Members will recall that a comprehensive review and update of the framework was undertaken last year following a range of enhancements made as part of strengthening and continuing improvement to the risk management arrangements in place.
- 5.5 The framework has continued to operate effectively since the last annual review.
- 5.6 A quarterly review of the strategic risk register is undertaken by the Senior Management Team (SMT), involving each risk owner updating progress made on the planned risk mitigation actions as well as re-assessing the status, score and any changes to each risk, and considering the need to add any newly emerging risks to the register. The results of which are reported to meetings of the Authority for members to consider and is presented to each meeting of the Local Pension Board for further scrutiny.
- 5.7 The strategic risk register is also reviewed at each of the monthly SMT meetings so that risk is actively monitored on an on-going basis.
- 5.8 The use of risk management software (Pentana) is now embedded and has improved the efficiency and clarity with which risks are recorded, managed, and monitored.
- 5.9 Following successful introduction last year, external specialist training on risk management has again been delivered in November 2024 for new members of SMT and for a number of other officers for whom this is relevant, to equip them with knowledge and understanding of risk management principles and practices.
- 5.10 Progress continues on the introduction of an additional layer of operational risk management at team / service level, which will help to embed the culture of risk management throughout the organisation as well as to support and inform the strategic risk register.
- 5.11 The risk management framework has been reviewed as attached at Appendix A. The appendix shows any changes highlighted in yellow. There were no substantive changes required. The version control page has been updated accordingly and the only revision to the content in the document is a minor change to add reference to the fact that the strategic risk register is also presented to each quarterly meeting of the Local Pension Board.
- 5.12 Members are requested to review the risk management framework attached, comment on any changes required and approve the updated version for publication.

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 and Corporate Services

Background Papers	
Document	Place of Inspection

December 2024

Risk Management Framework December 2024

Document Control Information	
Document title	Risk Management Framework
Version	December 2024
Status	For Review of Audit & Governance Committee
Owner	Head of Governance & Corporate Services
Department	Resources
Publication date	
Approved by	
Next review date	

Version History			
Version	Date	Detail	Authors
December 2023	14/12/2023	Full review and update of the Framework. As approved at a meeting of the Audit & Governance Committee.	Head of Governance & Corporate Services
December 2024	05/12/2024	Minor update only – addition of reference to quarterly review by Local Pension Board.	Head of Governance & Corporate Services

Contents

1. Foreword
 2. The Risk Management Framework
 3. Risk Management Policy Statement and Strategy
 - Objectives of SYPA's Risk Management Strategy
 - How will we deliver the objectives of the Risk Management Strategy?
 - How will we know if we have achieved our Risk Management Objectives?
 4. The Risk Management Process
 - Risk Identification and Recording
 - Risk Assessment or Scoring
 - Risk Matrix
 - Risk Mitigation
 - Risk Review
 - Risk Tolerance/Acceptance
 - Guidance, training and facilitation
 5. Assurance
- Appendix 1 – Roles and responsibilities
- Appendix 2 - Scoring methodology

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 and decision-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.

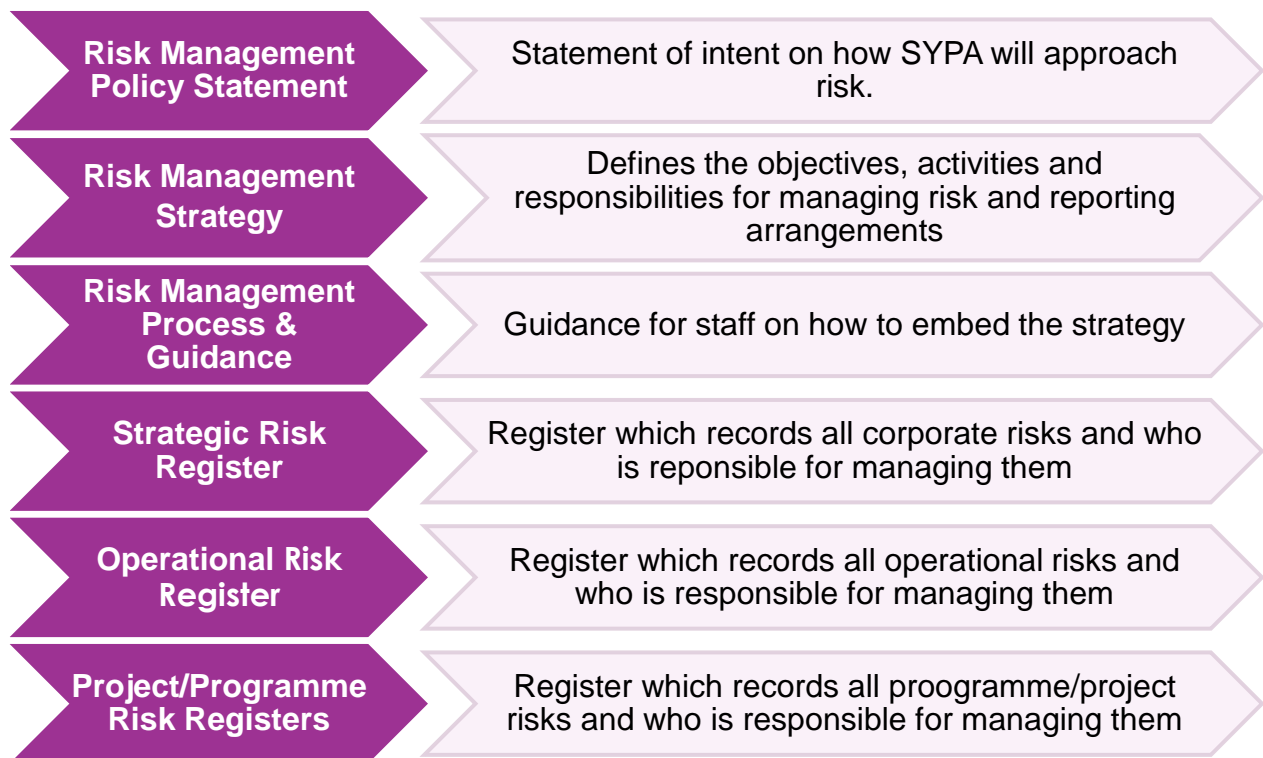
We meet this duty by adopting best practice in risk management which supports a structured and focussed approach to managing risks and ensuring that risk management is an integral part of the governance of the Authority at all levels.

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:

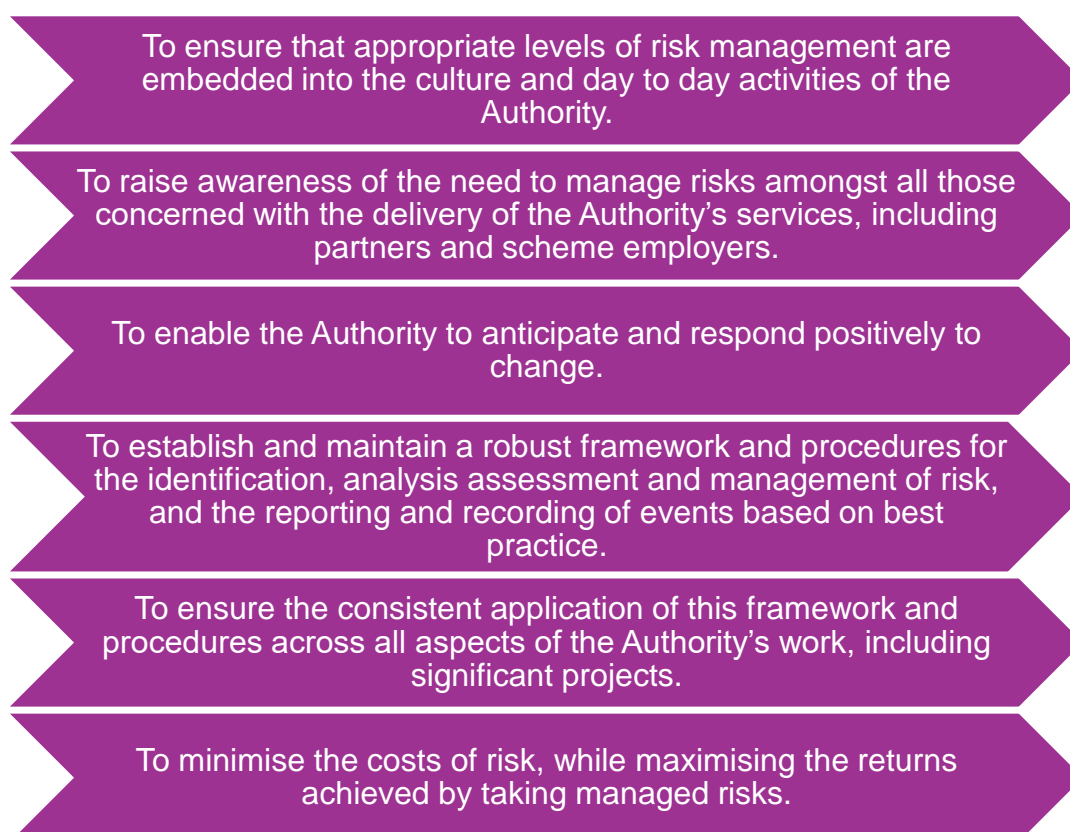


3. Risk Management Policy Statement and Strategy

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



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.
- Present the Strategic Risk Register to each meeting of the Local Pension Board for their additional scrutiny.
- 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 how 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.

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.

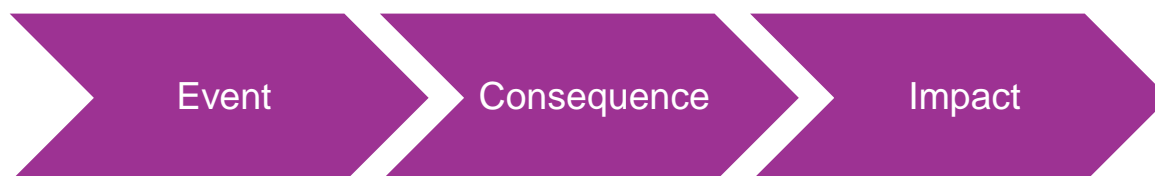
Risk Identification and Recording

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.



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.



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.

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 progression 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.
- **Presentation of the Strategic Risk Register to meetings of the Local Pension Board.**
- 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 independent review of the organisation's risk management arrangements on a regular basis. 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	<p>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.</p> <p>Understand where an operational risk has a corporate or strategic impact and escalate accordingly.</p> <p>Contribute to the strategic risk management process through identification and management of risks associated with service area.</p> <p>Ensure relevant staff have appropriate understanding of risk management.</p>
Project Leads	<p>Ensure risk is appropriately considered within business cases and procurement reports submitted.</p> <p>Ensure risks are appropriately monitored throughout the lifecycle of projects.</p> <p>Escalate significant risks to the Senior Management Team.</p>
Risk Owners	<p>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.</p> <p>Report promptly and systematically to senior management any perceived risks or failures of existing control measures.</p>
Governance Team	<p>Develop and maintain the risk management strategy and framework.</p> <p>Ensure this is reviewed annually by the Authority’s Audit & Governance Committee.</p> <p>Support managers in the identification and management of risks at Strategic and Operational level.</p> <p>Ensure training needs of all those who have responsibility for managing risk within the Authority are met.</p>

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

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

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	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				

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

Tel: 0300 303 6160

www.sypensions.org.uk




Appendix A

South Yorkshire Pensions Authority – Strategic Risk Register

The table below sets out the register of strategic level risks. The risk scores are shown on a matrix of impact and likelihood – this equates to scores as shown on this key:

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				

Next to each current risk score and matrix in the table, an icon is included to show the trend in the score since the previous review.

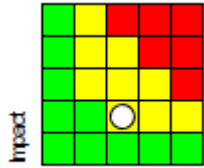
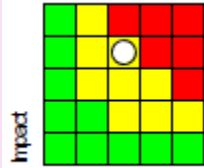
-  Indicates no change in score from the previous review.
-  Indicates the risk score has reduced since the previous review.
-  Indicates the risk score has increased since the previous review.

The results of the latest review resulted in two risks having their current scores reduced. There were no other changes to risk scores.

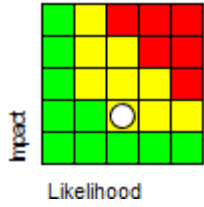
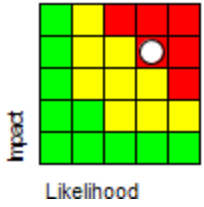
Appendix A – Strategic Risk Register

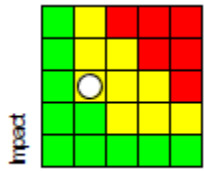
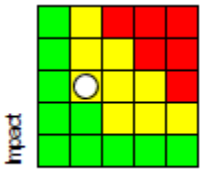
This table provides a high level summary of the risks on the register that follows:

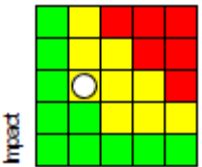
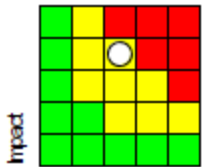
Risk Ref	Risk	Score	Trend
ADM-001	Poor Data Quality	12	
ADM-002	Backlogs in Workflows	16	
GOV-001	Local Pension Board and Authority members' knowledge and skills	6	
GOV-003	Delivery of key objectives in corporate strategy	12	
GOV-004	Failure to apply data protection requirements	12	
IAF-001	Material changes to the value of investment assets and/or liabilities	9	
IAF-002	Failure to mitigate the impact of climate change	20	
IAF-003	Border to Coast Strategic Plan	6	
IAF-004	Imbalance in cash flows	5	
IAF-005	Employer contributions become unaffordable	9	
ORG-002	Cybersecurity attack	16	
ORG-004	Failure of the Authority to comply with relevant regulations	12	
PEO-002	High level of vacancies within the organisation	9	
PEO-003	Single point of failure in specialist knowledge roles	12	

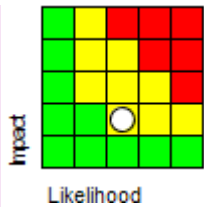
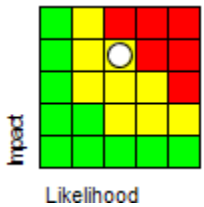
Risk: ADM - 001 Poor data quality		Risk Owner: Assistant Director - Pensions	
		Last Review: 19-Aug-2024	
Risk effect: Reputational Impact Regulatory and financial penalties Failure to deliver key projects such as McCloud rectification on time. Provision of inaccurate information and payment of benefits to members Inaccurate data impacting the valuation of liabilities during the triennial valuation. Increased delays to backlogs contributing to further increases			
Existing Preventative Measures Ongoing development of data improvement plan. Dedicated Programmes and Performance Team. Use of DART to run daily validations. Projects Team resource to target highlighted issues - bulk data corrections. Use of Hymans data cleansing tool as part of valuation process. Targeted overtime with focus on priority casework.		Existing Mitigation Measures Implementation of front end validation of employer data submissions. Use of DART to run daily validations (200 per day) New system testing, releases and updates Dedicated systems team in place Issues and errors reported to System Providers Checking process in existing systems. Targeted staff overtime worked	
		Linked Actions Capacity exercise outcomes Further preventative measures to be assessed to address route cause In house system improvements and efficiencies Robust contract management Targeted staff training	
Target matrix and score:  Likelihood Target Score = 6		Current matrix and score:  Likelihood Current Score = 12 Trend: ▬	
Commentary from latest review:		The data improvement plan has been updated. The primary focus is still the GMP Reconciliation and Rectification exercise, and this is still on track for completion Summer 2024. Data corrections for annual exercises have been undertaken but data improvement strategy is still to be implemented. Additionally, the GMP data has now been updated to records for Pensioners and deferred members. Actives still to be undertaken. The impact of the revised plan will be monitored however there is no justification to reduce the score at this stage.	

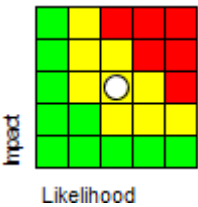
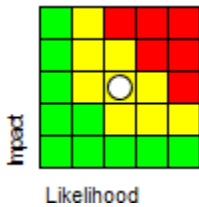

Page 135

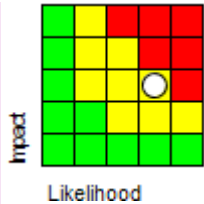
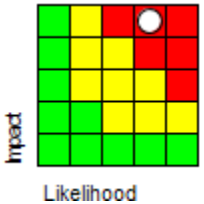

Risk: ADM - 002 Backlogs in workflows		Risk Owner: Assistant Director - Pensions
		Last Review: 19-Aug-2024
Risk effect: Decline in the overall level of service performance. Regulatory penalties Reputational Damage		
Existing Preventative Measures	Existing Mitigation Measures	Linked Actions
Capacity planning exercise has been undertaken. An action plan considering a range of specific actions to address aspects of problems identified has been developed and is being worked through.	Improved processes and staff training Targeted overtime to focused areas Changes to work tray allocations Pre live launch testing processes in place.	Capacity planning exercise and focus group outcomes will be considered by members over the Autumn. However this may take some time to have an impact Continuation of implementation of the action plan (particularly the automation of certain bulk processes) will provide some mitigation in the interim Overarching action plan to be developed Review of processes and policies
Target matrix and score:	 <p>Likelihood</p> <p>Impact</p> <p>Target Score = 6</p>	Current matrix and score:  <p>Likelihood</p> <p>Impact</p> <p>Current Score = 16 Trend: ▬</p>
Commentary from latest review:	The overarching action plan was approved in February 2024 and being monitored monthly. Whilst some progress has been made against some of the additional preventative and mitigating actions, there is no justification to reduce the score at this stage.	

Risk: GOV - 001 LPB and Authority Members' Knowledge and Understanding		Risk Owner: Head of Governance and Corporate Services Last Review: 19-Aug-2024	
Risk effect: Poorly informed decision making Regulatory / legislative non-compliance Insufficient questioning and challenge of officers.			
Existing Preventative Measures Annual effectiveness review and action plan Identify changes to legislation and key regulatory requirements that require enhanced knowledge and skills development Continuation of collaborative engagement of Independent Advisors, Internal Auditors and Officers		Existing Mitigation Measures Member Learning and Development Strategy and associated mandatory training requirements in place.	
Linked Actions Continuous review of the pensions landscape for legislative and regulatory change			
Target matrix and score:	 <p>Likelihood</p> <p>Target Score = 6</p>	Current matrix and score:	 <p>Likelihood</p> <p>Current Score = 6 Trend: ▬</p>
Commentary from latest review:		Members currently undertaking LGPS Online Learning Academy modules. On target for full completion by September 2024. As a result of this, no justification to change the risk score. This risk is now at the target score but will remain on the register for continued monitoring due to the potential changes to membership throughout the municipal year.	

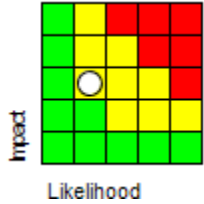
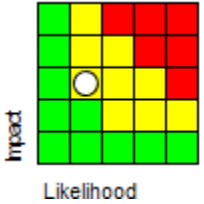

Risk: GOV - 003 Delivery of Key Objectives in Corporate Strategy		Risk Owner: Head of Finance and Performance		
		Last Review: 19-Aug-2024		
Risk effect: We will not deliver the service to our scheme members set out in our mission statement.				
Existing Preventative Measures		Existing Mitigation Measures		
Regular monitoring and review of objectives delivery		Programmes and Performance Management Team Established		
		Installed Programmes and Performance Management System		
Linked Actions				
Development and implementation of a programme management framework				
Implementation and go live of Programme and Performance System				
Page 138	Target matrix and score:		Current matrix and score:	
	 <p>Target Score = 6</p>	 <p>Current Score = 12 Trend: ▬</p>		
Commentary from latest review:		<p>Programme / Project Management framework continues to be rolled out across the organisation and is being received well. The service manager is tracking adoption of the framework and collating data to monitor success. Performance Management Framework has been further progressed but is still in early days of development. With these both in mind, risk is unchanged at present.</p>		

Risk: GOV - 004 Failure to apply data protection requirements.		Risk Owner: Assistant Director - Resources		
		Last Review: 19-Aug-2024		
Risk effect: Financial or Regulatory penalties. Reputational damage to the organisation. Inability to deliver the service.				
Existing Preventative Measures Data breach process followed to identify areas for improvement. Close liaison with DPO. Reporting to ICO and implementing any recommendations. Implementation of data recovery plan.		Existing Mitigation Measures Access to expertise through BMBC Corporate Assurance Team and DPO. ICT control measures. Data protection policies, procedures and training in place.		
Linked Actions Data Protection Training Implement Information Governance Action Plan				
Page 139	Target matrix and score:		Current matrix and score:	
	 <p>Target Score = 6</p>	 <p>Current Score = 12 Trend: ▬</p>		
Commentary from latest review:		<p>Updating of the full suite of Data Protection Policies is now well in progress and the majority of policies expected to be complete by end of October. Raising of awareness and training will be delivered to identified staff by the end of October 2024. The main policies that will be completed later than this are the Information Security Policy update and the Data Retention Policy.</p> <p>Internal Audit review undertaken on a selection of the new policies and procedures and a positive assurance opinion received.</p> <p>Phase 2 of the action plan is in progress.</p> <p>At this stage there is no justification to reduce the risk score.</p>		

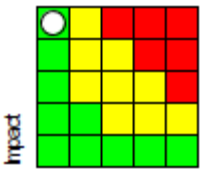
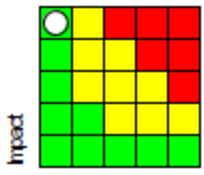

Risk: IAF - 001 Material changes to the value of investment assets and/or liabilities		Risk Owner: Assistant Director - Investment Strategy
Risk effect: Sharp and sudden movements in the overall funding level		Last Review: 19-Aug-2024
Existing Preventative Measures Having a diversified Investment Strategy focussed on relatively lower risk and less volatile investments. Element of inflation protection built into the asset allocation both through specific assets (such as index linked gilts) and proxies such as property and infrastructure.	Existing Mitigation Measures	Linked Actions Ability to implement protection strategies if market circumstances indicate they are appropriate.
Target matrix and score:  Target Score = 9		Current matrix and score:  Current Score = 9 Trend: 
Commentary from latest review:	This risk remains at the target score. Given nature of the risk it will remain on the register for continued monitoring and ability to respond should circumstances change.	

Risk: IAF - 002 Failure to mitigate the impact of climate change		Risk Owner: Director	
Risk effect: Significant deterioration in the funding level		Last Review: 19-Aug-2024	
Existing Preventative Measures Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast. Asset allocation tilted to favour more climate positive investments. Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions.		Existing Mitigation Measures Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast	
		Linked Actions Additional engagement with Border to Coast to identify potentially climate positive investments. Analysis of end of year climate data to gain a detailed understanding of the current emissions trajectory. Clear targets for emission reduction to be set for remaining portfolios.	
Target matrix and score:	 <p>Target Score = 12</p>	Current matrix and score:	 <p>Current Score = 20 Trend: </p>
Commentary from latest review:		While the latest emissions data shows a continuing downward trend in emissions, this needs to be seen in the context of only c50% of the Fund being covered by data at present. The implementation of the latest strategy review increasing allocations to climate positive investments should have a positive impact in future years. However, the action of the Fund alone will not reduce the overall risk to the sustainability of the Fund which is driven by the global rate of progress in reducing emissions.	

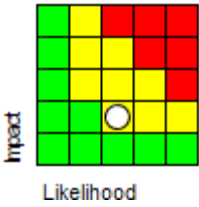
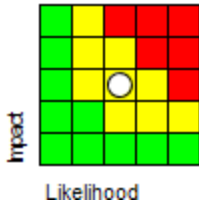

Page 141

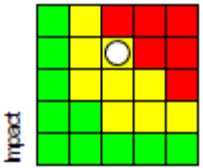
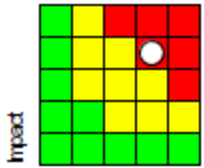

Risk: IAF - 003 Border to Coast Strategic Plan		Risk Owner: Director	
		Last Review: 06-Aug-2024	
Risk effect: Decline in investment performance. Increased costs as a result of the need to move to more expensive products. Potential changes in the risk and volatility levels within the portfolio			
Existing Preventative Measures Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget		Existing Mitigation Measures Process of engagement between the Company and stakeholders to agree the Company's Strategic Plan and Budget containing appropriate mitigations. Succession and contingency planning arrangements in place within the Company Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plan•	
Linked Actions			
Target matrix and score: 		Current matrix and score: 	
Target Score = 6		Current Score = 6	
		Trend: 	
Commentary from latest review: The Annual Review undertaken by the Investment Advisory Panel indicates significant progress in addressing people risks which, although they will always remain, have substantially reduced. While there are issues with specific investment products, they are not out of the ordinary course of business. Coupled with the degree of consensus around the development of the 2030 Strategy and the fact that Border to Coast operates in line with the preferred model set out in the Government's last consultation, there is a justification to reduce the risk score to target; although it should remain on the register given the overall significance of the pool entity to the Authority's operations.			

Appendix A – Strategic Risk Register

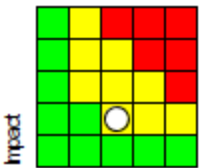
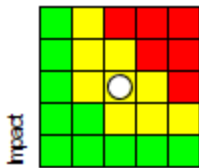

Risk: IAF - 004 Imbalance in cashflows		Risk Owner: Assistant Director - Investment Strategy	
		Last Review: 19-Aug-2024	
Risk effect: Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments. Potential negative impacts on individual pensioners.			
Existing Preventative Measures Process for monitoring and forecasting cashflows		Existing Mitigation Measures Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll.	
Linked Actions Further improvements in cashflow forecasting Implementation of strategies to more regularly harvest income from investments.			
Target matrix and score:  Likelihood		Current matrix and score:  Likelihood	
		Target Score = 5	
		Current Score = 5 Trend: 	
Commentary from latest review:		This risk still remains at target score but will remain on the register due to potential fluctuating circumstances.	

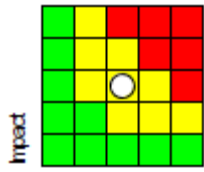
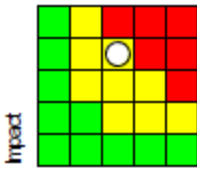

Page 13

Risk: IAF - 005 Employer contributions become unaffordable		Risk Owner: Director
Risk effect: Increased contribution rates to the extent that they become unaffordable. Default on the making of contributions by employers		Last Review: 19-Aug-2024
Existing Preventative Measures	Existing Mitigation Measures	Linked Actions
Phasing of increases and stabilisation mechanism in the valuation. Negotiated exit depending on the type of employer. Ability to undertake contribution reviews,	Investment strategy that is focused on long term returns and reduced volatility. Reviews of employer covenant and ongoing monitoring of funding levels.	More systematic review of employer covenants More systematic use of the funding monitoring tools that the actuary gives us access to
Target matrix and score:	 <p>Target Score = 6</p>	Current matrix and score:  <p>Current Score = 9 Trend: </p>
Commentary from latest review:	At this stage there is no evidence to support a reduction in the risk score, if anything the general pressure on public finances would indicate the opposite, although there is no empirical evidence to support such a movement either. As discussions begin leading up to the valuation process the overall position will become clearer.	

Risk: ORG - 002 Cyber security attack		Risk Owner: Head of ICT	
		Last Review: 19-Aug-2024	
Risk effect: Significant disruption to the provision of services. Loss / unauthorised release of key data. Reputational damage and financial penalties			
Existing Preventative Measures		Existing Mitigation Measures	
Regularly updated policies, software and hardware e.g. firewalls etc. to ensure multi layer cyber security defences. Regular penetration testing. Cyber Security Essentials Plus Certification Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass. Policies and Codes of Practice in place Targeted threat protections Regular internal and external audits		Effective ICT business continuity plan in place. Incident response retainer with specialist security provider Cyber Security Incident Management Policy in place.	
Linked Actions			
Ongoing review and implementation of ICT action plan to enhance cyber security defences.			
Target matrix and score:		Current matrix and score:	
 <p>Likelihood</p> <p>Target Score = 12</p>		 <p>Likelihood</p> <p>Current Score = 16</p> <p>Trend: </p>	
Commentary from latest review:		Additional security measures are being procured which may enable us to reduce the risk score at next review.	

Risk: ORG - 004 Failure of the Authority to comply with relevant regulations		Risk Owner: Head of Governance and Corporate Services
Risk effect: Enforcement action by relevant regulatory authorities		Last Review: 19-Aug-2024
Existing Preventative Measures	Existing Mitigation Measures	Linked Actions
Regular reviews of key policies and processes	Service areas are aware of key points of reference for relevant regulations.	Central tracker that is regularly reviewed to ensure timely updates to all policies, procedures and frameworks
Ongoing process of awareness raising and training for staff in relation to operational matters	Reporting of compliance within relevant standards.	Delivery of additional Data Protection training in roles and responsibilities for all staff, middle managers, and SMT
Oversight of key updates and awareness of milestone approvals	Basic assessment of compliance with TPR CoP 14 in place.	Implement and embed the Information Governance action plan in collaboration with Internal Audit at each stage of review
		More detailed assessment of compliance with emerging regulatory requirements. TPR General Code with associated action plan and enhanced regular reporting.
Target matrix and score:	<p>Likelihood</p> <p>Target Score = 8</p>	Current matrix and score: <p>Likelihood</p> <p>Current Score = 12 Trend: ▬</p>
Commentary from latest review:	Currently creating a quarterly timetable to review compliance against the TPR Code and monitor progress on actions planned. A Policy Tracker has been created and all the relevant documentation is in the process of being collated. No justification to reduce the risk score at this stage.	

Risk: PEO - 002 High level of vacancies within the organisation		Risk Owner: Assistant Director - Resources	
		Last Review: 15-Aug-2024	
Risk effect: Inability to deliver the service Negative impact on staff wellbeing Poor staff retention resulting in loss of specialist knowledge			
Existing Preventative Measures Capacity planning to identify additional resources. Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. Provision of Counselling, Occupational Health and Employee Assistance Programme. Investment in training and development. Market supplements to secure specialist roles. Develop action plan following 2023 employee survey.		Existing Mitigation Measures Career grade scheme in place to develop in house specialists. Targeted advertising including using social media Introduction of hybrid working and existing flexi scheme.	
		Linked Actions Develop talent attraction via Employee Value Proposition Increase in staffing following capacity planning	
Target matrix and score:  Likelihood Target Score = 6		Current matrix and score:  Likelihood Current Score = 9 Trend: 	
Commentary from latest review:		Likelihood now reduced from High to Medium following implementation of preventative actions - pay and benefits review, and successful recruitment to additional posts established from the capacity planning exercise.	

Risk: PEO - 003 Single point of failure in specialist knowledge roles		Risk Owner: Assistant Director - Resources	
		Last Review: 19-Aug-2024	
Risk effect: Failure to deliver service and reduced service quality. Reputational damage. Impact on staff morale and wellbeing.			
Existing Preventative Measures		Existing Mitigation Measures	
Organisational Resilience Plan. Lessons learned to identify single points of failure. Ability to call on external third party support. Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. Provision of Counselling, Occupational Health and Employee Assistance Programme.		Revised pay and benefits package Range of policies for supporting wellbeing Documented procedures and work instructions Learning and development plans and knowledge transfer	
		Linked Actions	
		Identify Single Points of Contact	
		Knowledge Transfer	
		Succession Planning	
		Third Party Support	
Target matrix and score:		Current matrix and score:	
 <p>Target Score = 9</p>		 <p>Current Score = 12 Trend: </p>	
Commentary from latest review:		No change to the score. Specific actions around recruitment and succession planning for AD-IS and for Independent Investment Adviser (IIA) have been completed. New AD-IS appointed due to commence 7 Oct 2024. IIA recruitment taking place in Sept 2024 for one adviser. Some progress being made in specific service areas on the actions around succession planning and accessing third party support, but further progress to be made before a change in score would be justified.	

Page 148

Subject	Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy	Status	For Publication
Report to	Audit & Governance Committee	Date	05 December 2024
Report of	Head of Governance and Corporate Services		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance and Corporate Services	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

- 1.1 To ask the Audit & Governance Committee to consider and comment on the Anti-Fraud, Bribery and Corruption Policy and the Whistleblowing Policy and to recommend them for approval to the Authority.

2 Recommendations

- 2.1 Members are recommended to:
- a. Consider and recommend the Anti-Fraud, Bribery and Corruption Policy and the Whistleblowing Policy for approval to the Authority.**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objective:
Effective and Transparent Governance
- To uphold effective governance always showing prudence and propriety.
- 3.2 The contents of this report are part of the arrangements in place to ensure good governance and a suitable framework for the prevention and detection of fraud, and reporting of concerns.

4 Implications for the Corporate Risk Register

- 4.1 The contents of this report will contribute to addressing overall risk to the Authority's funds and reputation.

5 Background and Options

- 5.1 The action plan arising from the Annual Governance Statement approved by the Authority in June 2024 included an action to review and update the organisation's

policies on Anti-Fraud, Bribery & Corruption and Whistleblowing (or Confidential Reporting Procedure). The policies were overdue for review, having last been updated in 2019.

- 5.2 Both policies form part of the Authority’s arrangements for ensuring and demonstrating that we meet the principles of good governance set out in the CIPFA/SOLACE framework. These policies relate to Principle A – behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. The two policies have been reviewed and fully updated.
- 5.3 **Appendix A - Anti-Fraud, Bribery and Corruption Policy** – This policy sets out the objectives, including the promotion of an anti-corruption culture and zero tolerance of fraud and corruption. The document provides details of the Authority’s approach to achieving this, the roles and responsibilities of different stakeholders and actions that will be taken for preventing, deterring and detecting fraudulent activity or corruption. The policy also sets out a clear commitment to taking all necessary actions to pursue recovery of any losses and impose sanctions in the event of fraud or corruption being found.
- 5.4 **Appendix B – Whistleblowing Policy** - This policy makes it clear that any referral can be made without fear of victimisation, subsequent discrimination, or disadvantage. The policy is intended to encourage and enable employees to raise serious concerns within the Authority rather than overlooking a problem or ‘blowing the whistle’ outside.
- 5.5 The policies will be reviewed every 2 years as a minimum, or sooner if required in the event of legislative or other substantive changes. Any material changes will be brought to this Committee for review and to the Authority for approval.
- 5.6 Members are asked to review the two policies, request any changes deemed appropriate and recommend them to the Authority for approval.

6 **Implications**

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

Financial	No direct implications.
Human Resources	No direct implications.
ICT	No direct implications.
Legal	No direct implications.
Procurement	No direct implications.

Jo Stone

Head of Governance and Corporate Services & Monitoring Officer

Background Papers	
Document	Place of Inspection

Anti-Fraud, Bribery and Corruption Policy

December 2024

Document Control Information

Document title	Anti-Fraud, Bribery and Corruption Policy
Version	December 2024
Status	For Review of Audit & Governance Committee
Owner	Head of Governance & Corporate Services
Department	Resources
Publication date	
Approved by	
Next review date	

Version History

Version	Date	Detail	Author
1	September 2019	Original Policy	Fund Director
2	December 2024	Full review and revision.	Head of Governance and Corporate Services

1. Introduction

- 1.1 South Yorkshire Pensions Authority is responsible for the stewardship of the pensions savings of a large number of individuals. These funds have largely been derived from the public purse and consequently the Authority aims to operate with the highest standards of probity in relation to these funds.
- 1.2 The Authority is committed to protecting the funds it administers and consequently will not tolerate any form of abuse. The Authority is determined to pursue, deter, and detect all forms of fraud, bribery and corruption committed against it, whether that be internally or from outside the organisation.
- 1.3 The Authority is determined that the culture and tone of the organisation should be one of honesty and rigorous opposition to fraud, bribery, and corruption. Thus, the Authority is committed to ensuring all its business is conducted in an open, honest, equitable and fair manner and that it is accountable to all stakeholders (scheme members and scheme employers).
- 1.4 The Authority will not tolerate fraud, bribery, or corruption committed or attempted by its members, employees, suppliers, contractors, scheme employers or scheme members and will take all necessary steps to investigate allegations of fraud, bribery or corruption and pursue the sanctions available in each case, in particular the recovery of the Authority's assets or funds.

1.5 Definitions

- **Fraud** - any irregularity or illegal act characterised by intentional deception with the intent to make a personal gain, or to cause loss, or to expose another to the risk of loss.

The term fraud is used to describe many acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, the concealment of material facts and collusion.

- **Bribery** - an inducement or reward offered, promised, or provided to gain personal, commercial, regulatory or contractual advantage. Bribery may take the form of:
 - Active bribery: Promising or giving a financial or other advantage.
 - Passive bribery: Agreeing to receive or accepting a financial or other advantage.
- **Corruption** - Dishonest or fraudulent conduct by those in power, typically involving bribery. It has also been described as dishonesty and illegal behaviour by people in positions of authority or power.

Corruption is the deliberate misuse of your position for direct or indirect personal gain. It includes offering, giving, requesting or accepting a bribe or reward, which influences your actions or the actions of someone else.

All are criminal offences under various pieces of legislation.

2. Policy Objectives

- 2.1 The Authority is committed to promoting an environment that actively encourages the highest principles of honesty and integrity. It is committed to implementing and enforcing effective systems to counter fraud, bribery and corruption.
- 2.2 The objectives of the Authority's policy are to:
- i. Limit the Authority's exposure to fraud and corruption, and to minimise financial loss and the potential adverse effects of such loss.
 - ii. Create and promote an anti-fraud culture and zero tolerance of fraud, bribery, corruption and theft.
 - iii. Understand the fraud risks facing the Authority and implement measures to deter, prevent and detect fraud.
 - iv. Promptly and professionally investigate alleged or suspected fraud or corruption and impose appropriate sanctions where proven.
 - v. Provide appropriate training and development to employees to support the aims of this policy.

3. Scope

- 3.1 This policy applies to:
- i. All Authority employees.
 - ii. Members of the Authority and of the Local Pension Board
 - iii. Third party service providers to the Authority / Fund – including custodian, fund and investment managers.
 - iv. Professional advisers
 - v. Authority / Fund suppliers, contractors and consultants.
 - vi. Scheme Employers and Scheme Members of the South Yorkshire Pension Fund

4. Culture

- 4.1 Responsibility for an anti-fraud culture is the joint duty of all those involved in giving strategic direction, determining policy, and management. The policy should be directed against fraud and corruption whether it is attempted against the Authority from outside or from within its own workforce.
- 4.2 The prevention and detection of fraud/corruption and the protection of public funds are everyone's responsibility. The Authority expects that members and officers at all levels will lead by example in ensuring adherence to legal requirements, Contract Standing Orders, Financial Procedure Rules, Codes of Conduct and best (professional) practice.

- 4.3 Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- i. A criminal offence
 - ii. A failure to comply with a statutory or legal obligation.
 - iii. Improper, unauthorised use of public or other funds
 - iv. A miscarriage of justice
 - v. Maladministration, misconduct, or malpractice
 - vi. Deliberate concealment of any of the above.
- 4.4 The Authority expects all its employees (whether permanent or temporary), members, and all its contractors and suppliers to:
- Act honestly and with integrity at all times and to safeguard those assets of the Authority for which they are responsible.
 - Comply with the spirit as well as the letter of the law and regulations in respect of the lawful and responsible conduct of business.
 - Ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and followed up promptly.
- 4.5 When fraud or corruption have occurred because of a breakdown in systems or procedures, the Authority will ensure the appropriate improvements are implemented to prevent reoccurrence.

5. Roles and Responsibilities

- 5.1 Everyone within the scope of this Policy has a general responsibility for the prevention of fraud and corruption. This section sets out the specific roles and responsibilities.
- 5.2 **Director (Head of Paid Service)** – Overall responsibility for the management and co-ordination of employees, accountable for the effectiveness of the Authority's arrangements for countering fraud and corruption.
- 5.3 **Assistant Director – Resources (Chief Finance Officer)** – Statutory responsibility for the proper administration of the Authority's financial affairs and responsible for the development and maintenance of an anti-fraud and corruption strategy.
- 5.4 **Head of Governance and Corporate Services (Monitoring Officer)** – Statutory responsibility to ensure that the Authority operates within the law. Responsible for the Members Code of Conduct and the maintenance and operation of the confidential reporting procedure for employees (i.e., Whistleblowing Policy).
- 5.5 **Audit and Governance Committee** – Monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption.
- 5.6 **Authority and Local Pension Board Members** – Comply with the Members Code of Conduct, be aware of the possibility of fraud, corruption, bribery and theft, and report any genuine concerns accordingly.
- 5.7 **External Audit** – Obtain reasonable assurance that the Authority has appropriate controls in place to prevent, detect and investigate fraud and corruption and the financial statements are free of material misstatement or irregularity whether caused by fraud or error.

- 5.8 **Internal Audit** – Carry out audit reviews to provide assurance on the Authority’s system of internal control. Support the Authority in carrying out investigations where required.
- 5.9 **Assistant Directors, Heads of Service, Service Managers** – Promote staff awareness and ensure that all suspected or reported irregularities are immediately referred as per the Authority’s procedures. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, bribery and theft and to reduce these risks by implementing strong internal controls.
- 5.10 **Employees** – Comply with the Authority’s policies and procedures, including the Employee Code of Conduct, be aware of the possibility of fraud, corruption, bribery and theft, and report any genuine concerns to management, the Monitoring Officer or to Internal Audit, or via the Whistleblowing procedure.
- 5.11 All others within the scope of this policy are responsible for reporting any genuine concerns or suspicions in accordance with the Authority’s complaints procedure.

6. Deterrence, Risk Management and Loss Mitigation

- 6.1 The publication of this Anti-Fraud, Bribery and Corruption Policy and regular reinforcement that the Authority operates a zero-tolerance approach will help deter those considering fraudulent activity.
- 6.2 Where any loss is incurred due to fraud and corruption, the Authority will take action to recover monies owed.
- 6.3 Managers are expected to conduct risk reviews of the systems and procedures for which they are responsible and proactively update where weakness has been identified.
- 6.4 The Authority’s Audit and Governance Committee receive regular reports on Internal Audit activity, and these will include summary details of investigations into allegations of fraud and financial impropriety where relevant.
- 6.5 The Audit and Governance Committee may make recommendations to the Authority for any change in its arrangements for dealing with fraud, bribery and corruption identified as necessary at any time.
- 6.6 Sanctions will be applied where fraud and corruption are proven to exist. This will be done in a comprehensive, consistent, and proportionate manner whereby all possible and relevant sanctions – disciplinary, civil and/or criminal - are considered. For elected members this will include consideration of the sanctions available for breaches of the Member’s Code of Conduct alongside any relevant criminal or civil action.

7. Detection and Prevention Controls

- 7.1 The table below sets out a range of controls in place for the detection and prevention of fraud and corruption – note, this list is not exhaustive:

Activity	Detail of activity
National Fraud Initiative	<p>The Authority participates in the biennial National Fraud Initiative (NFI) exercise. This matches electronic data within and between public and private sector bodies to prevent and detect fraud.</p> <p>All exchanges of information are carried out in full compliance with Data Protection Legislation and with the codes of practice for the National Fraud Initiative data matching exercises and includes provision of information to other agencies for data matching purposes.</p>
Tell Us Once	<p>A Government service helps to notify most government departments and local authorities know when someone dies.</p>
Mortality Screening	<p>The Authority subscribes to a mortality screening service in order to prevent overpayment of pension in the event of a pensioner death.</p>
Overseas members	<p>The Authority carries out annual 'proof of existence' checks for pensioner members residing overseas.</p>
Address tracing	<p>The Authority uses an address tracing provider in order to trace scheme members resident in the UK with whom contact has been lost.</p>
Contract Standing Orders	<p>The Authority's Constitution includes Contract Standing Orders that comply with relevant procurement legislation and the Governance team are responsible for ensuring that procurement procedures and controls are in place and for providing guidance on their application for employees carrying out procurement activity.</p>
Financial System of Controls	<p>The Finance team ensure that a full suite of protocols and procedures are in place and followed to ensure that the risks of fraud, bribery and corruption are prevented and mitigated. This includes separation of duties and authorisation procedures in all areas, with particular focus at the critical areas of risk including Treasury Management, Accounts Payable and Pensions/Staff Payroll. Additionally, the Authority ensures that CPD is kept up to date for finance staff and circulate all the most recent developments in relation to fraud, bribery and corruption.</p> <p>A risk-based programme of internal audit reviews is undertaken annually to provide assurance that controls are applied and operating effectively.</p>
Investment Processes	<p>Controls to prevent fraud, corruption and bribery in investment dealing include a segregation of duties to prevent any single individual from having excessive control over transactions. There is a strict authorisation procedure in place and a further separation of duties is provided through the finance section being responsible for processing of the payments following documented internal procedures.</p> <p>Internal audit reviews are conducted regularly to provide assurance that controls in this respect are applied and operating effectively.</p>

8. Reporting and Investigation

- 8.1 The Authority encourages and expects its members and employees, as well as scheme members and scheme employers, to report incidents of suspected fraud, bribery, and corruption.
- 8.2 Employees may report issues to their line manager, to the Assistant Director – Resources, the Head of Governance & Corporate Services, HR, internal audit or use the whistleblowing procedure as appropriate.
- 8.3 Members may report issues to the Head of Governance & Corporate Services, Assistant Director – Resources, internal audit or use the whistleblowing procedure as appropriate.
- 8.4 The public are able to use the organisation's complaints procedure in order to raise any concerns of this nature.
- 8.5 Any reported or suspected fraud or corruption must be brought to the attention of the Head of Corporate Assurance (as the Authority's Head of Internal Audit) if not reported directly to internal audit in the first instance.
- 8.6 In normal cases the Authority's Internal Audit Service will undertake, or direct, the investigation of fraud, bribery, or corruption allegations. Matters of a criminal nature will be referred to the Police. The Internal Audit Service has a reporting and liaison protocol in place with South Yorkshire Police.

9. Sanctions

- 9.1 Fraud must not pay; where fraud or corruption is discovered and proven, the full range of sanctions will be deployed, including civil, disciplinary, and criminal action, and referring cases to other law and enforcement organisations.
- 9.2 The Authority will apply realistic and effective sanctions for individuals or organisations where investigation reveals fraud and corruption. This may include legal action, criminal and/or disciplinary action. For elected members this will include consideration of the sanctions available for breaches of the Member's Code of Conduct alongside any relevant criminal or civil action.
- 9.3 A crucial element of the Authority's response to tackling fraud is recovering any monies or assets lost through fraud – this will therefore be rigorously pursued wherever possible. Where money has been lost due to fraudulent activity, the Authority will always seek to recover the money along with any penalties that may have been imposed.

10. Overlap with Other Policies

- 10.1** This policy statement overlaps with several other policies:
- i. The responsibilities of individual employees and Authority members are set out in the relevant **Codes of Conduct**.
 - ii. The responsibilities of elected members set out in the **Conflicts of Interest Policy** within the Authority's Constitution.
 - iii. The responsibilities of scheme employers are set out in the **Pensions Administration Strategy**.
 - iv. The Authority's **Contract Standing Orders** and associated terms of business set out the expectations on suppliers and contractors and the arrangements applying to employees involved in carrying out procurement activity.
 - v. The Authority has a specific procedure in relation to the receipt of **Gifts and Hospitality** which must be adhered to by all Authority Members and employees.
- 10.2** This policy does not override the detailed requirements set out in the above policy documents.

This page is intentionally left blank

Whistleblowing Policy

December 2024

Document Control Information

Document title	Whistleblowing Policy
Version	December 2024
Status	For Review of Audit & Governance Committee
Owner	Head of Governance & Corporate Services
Department	Resources
Publication date	
Approved by	
Next review date	

Version History

Version	Date	Detail	Author
1	September 2019	Original Policy	Fund Director
2	December 2024	Full review and revision.	Head of Governance and Corporate Services

1. Introduction

- 1.1 South Yorkshire Pensions Authority (the Authority) is committed to the highest possible standards of honesty, openness, probity, and accountability. It seeks to conduct its affairs in a responsible manner, to ensure that all the Authority's activities are open and effectively managed, and that the Authority's integrity and principles of public interest disclosure are sustained.
- 1.2 In line with that commitment, we encourage, and indeed expect, employees, those working on behalf of the Authority and others that we deal with, who have serious concerns about any aspect of the Authority's work to come forward and voice those concerns. Any matters raised will be treated in strict confidence and anybody who raises legitimate concerns can be assured that there will be no reprisals.
- 1.3 Employees working for the Authority are often the first to realise that there may be something seriously wrong. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Authority. They may also fear harassment or victimisation. Each person working for the Authority needs to realise that they not only have the right, but also a duty, to report any improper actions or omissions.
- 1.4 The Authority also recognises and appreciates that employees who raise concerns regarding malpractice or wrongdoing are an asset to the Authority, and not a threat. This Whistleblowing policy is intended to encourage and enable staff to raise serious concerns.
- 1.5 This policy makes it clear that any referral can be made without fear of victimisation, subsequent discrimination, or disadvantage. It is intended to encourage and enable employees to raise serious concerns within the Authority rather than overlooking a problem or 'blowing the whistle' outside.
- 1.6 These procedures are in addition to the Authority's complaints procedures.
- 1.7 You may also wish to refer to the Public Disclosure Act 1998 when considering this policy.

2. Policy Objectives

- 2.1 This policy aims to:
 - i. Promote a culture of openness in order to protect the ethical reputation of the Authority.
 - ii. Provide safeguards to enable individuals to raise genuine concerns in confidence and without fear of repercussions.
 - iii. Provide avenues to raise those concerns and receive feedback on any action taken.

- iv. Ensure that staff receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied.

3. Scope

3.1 There are existing procedures in place to enable employees to lodge a grievance relating to their own employment. This Whistleblowing (Confidential Reporting) Policy is intended to cover major concerns that fall outside the scope of other procedures. Examples of concerns covered by this policy include:

- Conduct which is an offence or a breach of law.
- Health and safety risks, including risks to the public as well as other employees.
- Damage to the environment.
- The unauthorised use of public funds.
- Possible fraud and corruption.
- Breaches of the Authority's Code of Conduct and other personnel policies.
- Other unethical conduct.

3.2 In other words, any serious concerns that you have about any aspect of service provision or the conduct of officers or members of the Authority or others acting on behalf of the Authority can be reported under the Whistleblowing Policy. This may be about something that:

- makes you feel uncomfortable in terms of known standards, your experience, or the standards you believe the Authority subscribes to.
- is against the Authority's Standing Orders and policies; or
- falls below established standards of practice; or
- amounts to improper conduct.

4. Safeguards

Harassment or Victimisation

- 4.1 The Authority is committed to good practice, high standards and to supporting its employees.
- 4.2 The Authority recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear. You will be doing your duty to your employer and those to whom you are providing a service.
- 4.3 The Authority will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern.
- 4.4 If you are already the subject of other employment procedures e.g., disciplinary or redundancy, those procedures will not be halted or suspended.

Confidentiality

4.5 All concerns will be treated in confidence and if you don't want your identity revealed, every effort will be made to ensure that it isn't. However, it must be understood that in the interests of natural justice, any investigation process is likely to reveal the source of the information and a statement by you is likely to be required as part of the evidence.

Anonymous Allegations

4.6 Notwithstanding the above commitment, the Authority will encourage you to put your name to your allegation whenever possible because concerns expressed anonymously are much less powerful. Nevertheless, anonymous referrals will be considered at the discretion of the Authority.

4.7 In exercising this discretion, the factors to be considered would include:

- the seriousness of the issues raised.
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

Unfounded / Untrue Allegations

4.8 The Authority's intention in this policy is to encourage employees to raise legitimate concerns. A disclosure or allegation made in good faith which is not confirmed by subsequent investigation will not lead to any action against the person making it. However, individuals making allegations which are found by subsequent investigation to be malicious and/or vexatious may be subject to disciplinary or other appropriate action.

5. How to raise a concern

5.1 As a first step, you should normally raise concerns with your immediate manager or their superior. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that line management is involved, you should approach the Director, the Head of Governance & Corporate Services (who is the Authority's Monitoring Officer), or Internal Audit.

5.2 Concerns may be raised verbally or in writing. Employees who wish to make a written report are invited to use the following format:

- The background and history of the concern (giving relevant dates).
- The reasons why you are particularly concerned about the situation.

5.3 The earlier you express the concern, the easier it is to act. Although you are not expected to prove beyond doubt the truth of an allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

- 5.4 Advice and/or guidance on how to pursue matters of concern may be obtained from the Director, the Head of Governance & Corporate Services or from the Governance team or HR team – whose contact details are all available through the Authority's SharePoint system. The Authority's internal audit service is provided by BMBC's Corporate Assurance team – whose contact details are as follows:
- Head of Corporate Assurance – SharonBradley@barnsley.gov.uk
- Corporate Assurance Manager – CarolineHollins@barnsley.gov.uk
- 5.5 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 5.6 If the issue you want to raise concerns about relates to fraud or misuse of public money, you may wish to contact the Authority's external auditor directly. Their contact details are available from the Authority's finance team or can be obtained from Public Sector Audit Appointments Ltd at the following link: [Auditor appointments - PSAA](#)
- 5.7 You may invite your trade union, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.

6. How the Authority will respond

- 6.1 The Authority will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.
- 6.2 Where appropriate matters raised may be:
- i. Investigated by management, internal audit, or through the disciplinary process.
 - ii. Referred to the Police.
 - iii. Referred to the external auditor.
 - iv. Form the subject of an independent enquiry.
- 6.3 To protect those accused of misdeeds, or possible malpractice, initial enquiries will be made to establish whether an investigation is appropriate and, if so, what form it should take. In reaching that decision, the Authority will always consider what is in the public interest. Concerns or allegations which fall within the scope of specific procedures (for example harassment or discrimination issues) will normally be referred for consideration under those procedures.
- 6.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.
- 6.5 Within 15 working days of a concern being raised the Director will write to you:

- Acknowledging that the concern has been received.
 - Indicating how we propose to deal with the matter.
 - Giving an estimate of how long it will take to provide a final response.
 - Telling you whether any initial enquiries have been made.
 - Supplying you with information on staff support mechanisms.
 - Telling you whether further investigations will take place and if not, why not.
- 6.6 The amount of contact with you that will be made by the officers considering the issues will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary, the Authority will seek further information from you.
- 6.7 Where any meeting is arranged, this will be off-site if you so wish, and you can be accompanied by a union or professional association representative or a work colleague.
- 6.8 The Authority will take steps to minimise any difficulties which you may experience because of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Authority will arrange for you to receive advice about the procedure.
- 6.9 The Authority accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcome of any investigation.

7. Responsible Officer

- 7.1 The Director has overall responsibility for the maintenance and operation of this policy.

8. External contacts / sources of guidance

- 8.1 The Authority hopes that this policy gives you the reassurance to raise matters internally within the organisation. Whilst we would prefer you to raise your concern internally, we do recognise that there may be circumstances where you may wish to raise matters with outside organisations or regulators. In fact, we would rather you raised a matter with an appropriate outside organisation or regulator than not raise it at all.
- 8.2 If you are unsure whether to use this policy or you want confidential advice at any stage, the independent charity **Protect** provides free, confidential advice for employees on whistleblowing. Contact via:
- Telephone: 020 3117 2520
 - Webform: [Contact Our Advisors](#)
 - or via: [Protect - Speak up stop harm - Whistleblowing Homepage](#)
- 8.3 Employees also have access to free and confidential advice through the

Employee Assistance Programme – details are available through the Authority's internal SharePoint system.

8.4 Other possible contacts external to the organisation include:

- The [Pensions Regulator](#)
- The [Health and Safety Executive](#)
- Authority's external auditor (details provided in section 5 of this policy).
- Your trade union.
- Relevant professional bodies or regulatory organisations.
- Your local Citizens Advice Bureau.
- the Police.

9. Monitoring

- 9.1 Internal audit will maintain a register of all whistleblowing referrals under this policy and monitor the outcome of these cases. The contact point or initial contact must ensure that details of any allegation should be reported to internal audit.
- 9.2 The Head of Governance & Corporate Services, as the Authority's Monitoring Officer, will ensure that a report is provided to the Audit & Governance Committee and/or the Authority on activity carried out under this policy as required – the report will not identify individuals, only the nature of the concerns raised.
- 9.3 The Director retains responsibility for ensuring the maintenance and implementation of the Authority's Whistleblowing Policy and process. The Audit & Governance Committee retain oversight of the effectiveness of these arrangements.

Subject	Progress on Agreed Management Actions	Status	For Publication
Report to	Audit & Governance Committee	Date	05 December 2024
Report of	Head of Governance & Corporate Services		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Annie Palmer Team Leader – Governance	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.

2. Recommendations

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

3. Link to Corporate Objectives

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

Effective and Transparent Governance

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

- 3.2 The reporting of audit findings and 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.

Information Governance – Agreed Management Actions

- 5.3 The table in Appendix A shows two actions that were due by 31 December 2024 that are now being deferred to March 2025. The details below provide some additional context regarding these, given the long period that has elapsed since the audit review was first issued.
- 5.4 An audit review of information governance was concluded in September 2020 with a positive opinion of reasonable assurance being issued. The detailed findings resulted in a total of six management actions being agreed – four of which have been fully completed and closed off. The remaining two actions are linked together and related to updating a written policy for Records Management and a Document Retention Schedule. Whilst these documents have not yet been fully completed to enable these audit actions to be closed, it is important to note that a significant amount of work has already been completed and is in progress in relation to the Authority's information governance framework and controls. An action plan was developed by the Governance Team in liaison with the corporate assurance (internal audit) team in a critical friend role. Phase 1 of the action plan is complete and concentrated on data protection policy and procedures, raising staff awareness and strengthening processes for data breaches and data protection impact assessments. A significant project to map the Authority's data assets and document a fully revised records management policy and data retention schedule forms part of Phase 2 of the action plan, with work due to commence from January.
- 5.5 Pending the completion of the above, assurance over the adequacy of information governance controls and systems is provided through annual coverage in the internal audit programme of data protection systems as part of ensuring that the Data Protection Officer can be satisfied with the Authority's arrangements.

Pensions Administration System Access – Agreed Management Action

- 5.6 The action agreed from this audit review, which concluded in October 2024, was to complete the regular review of users and their system permissions by the end of October, ensuring this is completed and documented every 6 months going forward. It was anticipated that the review would be complete by the end of October, and it is in progress but due to sickness absence causing a small delay, it is now expected to be complete by 31 December 2024.

External Audit Findings

- 5.7 The external audit of the Authority and the Fund statements of accounts for 2023/24 concluded in November 2024 and the final reports issued by the auditor included identification of a small number of control deficiencies and recommendations.
- 5.8 Three of these related to management review of assumptions used by experts (property valuers and actuaries) and of journals. In all three cases, the auditor is

required to report a deficiency because the controls in place do not satisfy the very stringent criteria specified in the auditing standards, which are onerous and would require the use of additional experts to review the work of our appointed experts, or in the case of journals, require the management review to involve independently creating a separate set of working papers and supporting documentation which would simply duplicate the work involved. Therefore, no actions have been agreed in respect of these findings. The external auditor has accepted this and has indicated that they were required to bring these to the Committee's attention but will not need to report these same findings in next year's report.

- 5.9 One finding related to a minor technical issue on a small number of journals where the system showed them being posted by 'BATCH' instead of the actual user identification, due to the method of upload. This had been identified and addressed by June 2023, therefore the action is already complete.
- 5.10 The final finding related to an issue discovered during the audit of the Fund's accounts – that quarterly investment monitoring reports used for valuing some of the investments in the statement of accounts did not include the impact of cash or debtors with Border to Coast. The action agreed to address this finding is that we will liaise with Border to Coast to arrange for cash and debtors to be included in these quarterly investment monitoring reports in future.
- 5.11 The progress of implementing 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

Jo Stone

Head of Governance & Corporate Services

Background Papers	
Document	Place of Inspection
None	-

This page is intentionally left blank

Outstanding Actions Due by December 2024

Audit Review Title: Information Governance Issued Date: Sept 2020			
<p>Finding: The audit found that the data retention policy is 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.</p> <p>Implication: Failure to comply with legislative requirements could lead to reputational damage and sanctions/fines from the Information Commissioners Office.</p>			
Priority	Agreed Action	Progress Against Action	Officer Responsible and Timescale
Medium	Develop an updated Data Retention policy.	<p>The first review of the Retention Policy is drafted and currently under review. This is part of Phase 2 of Information Governance Action Plan and is linked to the wider review of associated data asset registers and records management.</p> <p>A working group will be established in Q4 to review and further develop the retention policy.</p> <p>In line with Phase 2 of the action plan, the target implementation date will be extended to 31 March 2025.</p>	<p>Head of Governance & Corporate Services</p> <p>Revised Target Date from 31 December 2024 to 31 March 2025</p>
<p>Finding: The audit found that the records management procedures are lacking a sufficient level of detail for the many different categories of records across the organisation.</p> <p>Implication: Failure to comply with legislative requirements could lead to reputational damage and sanctions/fines from the Information Commissioners Office.</p>			
Medium	Ensure data records management procedures are in place.	<p>This will be actioned in line with the above update as part of Phase 2 of the Information Governance action plan, commencing in Q4.</p> <p>The target implementation date will therefore be extended to 31 March 2025.</p>	<p>Head of Governance & Corporate Services</p> <p>Revised Target Date from 31 December 2024 to 31 March 2025</p>

Audit Review Title: Pensions Administration System – Access Controls Issued Date: October 2024			
<p>Finding: The audit found a lack of clarity regarding the roles and responsibilities for undertaking a review of individual user access permissions.</p> <p>Implication: This may result in inappropriate and unauthorised access to systems, where access is not aligned to individual roles and responsibilities.</p>			
Priority	Agreed Action	Progress Against Action	Officer Responsible and Timescale
Medium	A full review of UPM access permissions will be completed by 31st October 2024 with 6 monthly reviews scheduled thereafter.	The ICT Helpdesk Manager has instigated a review of UPM access permissions. SYPA Service Managers have been asked to verify that each team member has the appropriate permissions (profile). This will be completed by 31 December 2024.	Service Manager - Pensions Systems Revised Target Date from 31 October 2024 to 31 December 2024

Actions Fully Completed Since Last Report

None to report