

SOUTH YORKSHIRE PENSIONS AUTHORITY

AUDIT COMMITTEE

29 JULY 2021

PRESENT: Councillor D Nevett (in the Chair)
Councillors: S Clement-Jones, D Fisher, M Havard and
C Rosling-Josephs

G Warwick (GMB)

Officers: S Bradley (Audit Manager), W Goddard (Team
Manager - Financial Services), G Graham (Director),
G Richards (Senior Democratic Services Officer) and
G Taberner (Head of Finance and Corporate Services)

N Wright (Deloitte)

(Local Pension Board)

Apologies for absence were received from Councillor A Law,
Councillor N Wright, N Doolan-Hamer, D Patterson and
M McCarthy

1 **APOLOGIES**

G Kirk, the Authority's Monitoring Officer, welcomed everyone to the meeting.

As the Chair, Cllr A Law, was unable to attend the meeting nominations were requested to appoint a Chair for the meeting.

Cllr D Nevett was nominated by Cllr Fisher and seconded by Cllr C Rosling-Josephs.

Cllr Nevett took the Chair.

Apologies were noted as above.

2 **ANNOUNCEMENTS**

None.

3 **URGENT ITEMS.**

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 4 MARCH 2021

RESOLVED – That the minutes of the meeting held on 4th March 2021 be agreed as a true record.

7 EXTERNAL AUDITOR'S ANNUAL REPORT

N Wright presented the External Auditor's Annual report.

The Committee was informed that the audit work was mainly complete and the audit was currently being progressed towards conclusion.

Subject to the satisfactory receipt and the completion of outstanding items, as detailed in Appendix 2, Deloitte expected to issue an unqualified audit opinion on the financial statements of both the Authority and the Fund.

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

During the course of the audit an adjustment of £130m was proposed to the value of the alternative investments (relating to the availability of more up to date prices). For the same reason, a further adjustment of £9.7m was proposed. This had not been updated and was included in Appendix 1.

An adjustment to the net pension liability of 3417k had been proposed as a result of the adjustment made to the pensions fund asset value.

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

- Valuation of directly held commercial property – Fund
- Management override of controls – Fund & Authority

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

Members note that the areas of audit focus had been:

- Valuation of pension liability – Authority
- Completeness and accuracy of contributions – Fund
- Completeness of investment transactions and valuation of alternative investments – Fund
- Completeness and accuracy of expenditure – Authority

A conclusion had also been produced for Value for Money. The audit had not identified any significant weaknesses in respect of Value for Money.

N Wright commented on the quality of the draft accounts and thanked G Taberner and her team for their assistance with the audit.

RESOLVED – That the report be noted.

8 LETTER OF REPRESENTATION

A report was submitted that sought Members' approval of the Treasurer's formal letter to the Auditor giving representations regarding the information in the Statement of Accounts for 2020/21, as set out in the Accounts and Audit Regulations 2015.

The Letter of Representation (attached at Appendix A) included statements around:

- Responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- The results of the assessment of the risk that the financial statements could be materially misstated as a result of fraud.
- That the Authority was not aware of any fraud or suspected fraud.
- Information around awareness of any fraud or suspected fraud.

It was noted that the audit work was still in progress and therefore the Letter of Representation was subject to change if the auditor required any further representations to be made as a result of their work.

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

9 APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21

A report was considered which sought approval of the audited Statement of Accounts 2020/21.

G Taberner informed the Committee that the draft Statement of Accounts was authorised for issue on Friday 28th May 2021 ahead of the statutory deadline. The external audit commenced the next working day, Tuesday 1st June.

There had been a small number of adjustments to the accounts which were detailed within the report.

The most significant of these concerned the value of alternative assets. Due to the timing required for preparation of the draft accounts, 31st December valuations were used. However, each year this was reviewed and checked against the fund manager statements at 31st March. This year the March statement indicated a material movement. The financial impact of this was an increase in the total Fund value of £130.8m; the total net assets of the Fund shown on the Net Assets Statement changed from £9.731bn to £9.862bn. This increased the value of

investments to £1.715bn and also increased the total investment return for the year to 21.1%.

Members discussed investment management expenses. The Director explained that the fees were relative to the size of the Fund. Benchmarking results would be available later in the year when comparisons could be made with other LGPS and private sector funds.

RESOLVED – That Members:

- i) Approve the Statement of Accounts 2020/21.
- ii) Authorise the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Authority.

10 ANNUAL REPORT 2020/21

Members considered the Annual Report 2020/21.

Regulation 57 of the Local Government Pensions Scheme Regulations 2013 and the Accounts and Audit Regulations 2015 required the Authority to prepare and publish an Annual Report that included the Pension Fund Accounts for the year by 1st December following the end of the financial year to which it related. The requirement to publish the Annual Report included electronic publication on the Authority's website.

It was noted that the independent auditor's report included within the document was yet to be updated for 2020/21 as this could only be updated following the completion of the auditor's work.

G Graham informed members that in future it was the intention to produce a version of the report that would be of interest to Scheme members, this would be a challenging task for the Communications Officer.

RESOLVED – That Members approve the Annual Report 2020/21 for publication.

11 INTERNAL AUDIT ANNUAL REPORT 202/21

S Bradley presented the Internal Audit Annual Report 2020/21.

Members were reminded that, in accordance with statutory best practice provided by the PSIAS, there was a requirement that the Head of Internal Audit (HoIA) prepared an annual report providing, among other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control based on the audit work undertaken.

The report provided a summary of key issues arising from the work of Internal Audit covered in the 2020/21 audit plan and up to the point of preparing the report, which contributed to the overall assurance opinion the HoIA was able to give to the Audit Committee.

The Committee had received quarterly reports throughout the year. In each of those reports a reasonable assurance opinion had been given reflecting asis an overall satisfactory level of internal controls and their application and also satisfactory governance and risk arrangements.

Taking the whole year into account and the audits completed it was appropriate to give an overall reasonable (positive) indicative assurance opinion for the year. The information supporting the opinion was provided within the report.

RESOLVED – That the Head of Internal Audit’s Annual Report is noted.

12 INTERNAL AUDIT CHARTER 2021-24

A report was considered which presented the Internal Audit Charter 2021-24 for approval as required by the Public Sector Internal Audit Standards.

Members were informed that the Internal Audit Charter was a formal document that defined the internal audit activity’s, purpose, authority and responsibility.

It was good practice to review the Charter periodically to ensure it reflected how the function operated and also to ensure that the requirements and provisions of the PSIAS were adequately covered.

The main change to the Charter was detailed at paragraph 8.5.1 and allowed for the Audit Manager to manage reviews and approve final reports in areas where the Head of Internal Audit had management responsibility for an operational area (i.e. the HoIA was also the Authority’s Data Protection Officer).

Members were informed that the updated Charter represented how the Internal Audit operated currently and there were no further significant changes to highlight.

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

13 INTERNAL AUDIT PROGRESS REPORT 2021/22

The Committee considered the Internal Audit Progress report which provided a summary of Internal Audit activity completed, and the key issues arising from it, for the period 1st April 2021 to 11th July 2021.

It was noted that 6% of the planned days had been delivered and that the plan was profiled more heavily towards the end of the financial year. As in previous years there were likely to be a number of pieces of work that would be completed in the new financial year.

Three reports had been issued during the period. These were:

- UPM Payroll.
- Pensions Review Process – Life Certificates.

- Pensions Review Process – Child Pensions.

The report also contained details of the audit work in progress and the status of internal audit management actions due for completion in the period.

S Bradley reported that Internal Audit continued to receive good co-operation from management including the Senior Management Team.

Cllr Nevett questioned how the pandemic had affected the Internal Audit team.

S Bradley confirmed that the Team had worked from home throughout. There had been no sickness within the Team due to Covid-19 but several staff members had to self-isolate.

The Team had been busy advising on revised processes to take account of Covid-19 restrictions.

Some jobs took longer whilst working from home but overall things had worked well.

RESOLVED – That the report be noted.

14 PROGRESS UPDATE ON AUDIT RECOMMENDATIONS

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

Members were reminded that the previous report on progress to the March meeting noted that there had been some delays in implementing agreed actions arising from the impact of Covid-19 and lockdowns during 2020/21 in particular. Since then, further progress had been made and there were several actions that had now been fully completed. The appendix to the report showed the status and progress being made on the remaining outstanding actions and this would continue to be actively monitored.

RESOLVED – That Members note the progress being made on implementing audit recommendations.

CHAIR