

SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

28 JULY 2022

PRESENT: Councillor G Weatherall (Chair)

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

Trade Unions: N Doolan-Hamer (Unison), D Patterson (Unite) and G Warwick (GMB)

Officers: J Garrison (Corporate Manager - Governance), W Goddard (Financial Services Manager), G Graham (Director), G Richards (Governance Officer), G Taberner (Head of Finance and Corporate Services), S Bradley (Audit Manager) and R Winter (Head of Internal Audit)

N Wright (External Audit Partner Deloitte)

Apologies for absence were received from Councillor R Bowser

1 **APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 **ANNOUNCEMENTS**

None.

3 **URGENT ITEMS**

None.

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

None.

5 **DECLARATIONS OF INTEREST**

None.

6 **MINUTES OF THE MEETING HELD ON 3 MARCH 2022**

RESOLVED – That the minutes of the meeting held on 3 March 2022 be agreed as a true record.

7 **EXTERNAL AUDITORS ANNUAL REPORT**

N Wright presented the External Auditor's Annual report for the 2021/22 audit of South Yorkshire Pensions Authority and South Yorkshire Pension Fund.

She thanked G Taberner, W Goddard and the Team for their support and co-operation.

The Committee was informed that the audit work was currently ongoing, the processes still to be completed were detailed in Appendix 2.

It was noted that as the Russian invasion of Ukraine was impacting global financial markets the auditors had reviewed the impact of the event during the course of their audit with a focus on valuation and liquidity risk, reputational risk and disclosure. The auditors were satisfied that the impact on the Fund and any exposure to those investments was minor in nature.

With regard to materiality for the Fund, this was set at £106.7m (£98.6m in 2021). This was based on the 31st March 2022 revised draft financial statements.

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

- Valuation of directly held commercial property (offices, retail and hotels) – 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:

- Completeness and accuracy of contributions – Fund
- Completeness of investment transactions and valuation of alternatives – Fund
- Valuation of directly held agricultural and commercial property not held in offices, retail and hotels – Fund
- Completeness of transfer following the migration of accounting system to Advanced Financials – Fund and Authority
- Valuation of pension liability – Authority
- Value for Money – Authority

In all completed areas no major issues had been identified.

RESOLVED – That the report be noted.

8 LETTER OF REPRESENTATION

W Goddard presented a report which sought Members' approval of the Treasurer's formal letter to the Auditor giving representations regarding information in the Statement of Accounts for 2021/22.

It was noted that the Letter or Representation would include the following statements:

- a. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- b. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

c. We are not aware of any fraud or suspected fraud in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

- i. Management;
- ii. Employees who have significant roles in internal controls; or
- iii. Others where the fraud could have a material effect on the financial statements.

d. We have disclosed to you all information in relation to allegations of fraud or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

The draft Letter of Representation was attached at Appendix A. It was noted that the audit work was still in progress and therefore the letter was subject to change.

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 2021/22

A report was considered which sought approval of the Statement of Accounts for 2021/22.

W Goddard informed members that the draft Statement of Accounts 2021/22 was authorised for issue on 23rd June 2022 which was ahead of the statutory deadline as outlined in the report.

The audit was well progressed and on schedule to finalised in line with the planned timescales set out in paragraph 5.5 of the report.

It was noted that during the course of the audit a small number of amendments to the accounts had been agreed, these were detailed within the report. The amended, audited Statement of Accounts was attached as an appendix to the report.

W Goddard informed members that, since the report was written, there had been a change to note 23 regarding leases in the Authority's accounts; this would be amended after the meeting.

RESOLVED – That members:

- i) Approve the Statement of Accounts 2021/22.
- ii) Authorise the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Authority.

10 ANNUAL REPORT 2021/22

G Graham presented the draft Annual Report to the Committee which was set out at Appendix A.

Members were informed that, unfortunately, the Annual Report was not complete and only limited proof reading had been possible. The covering report gave details of the key gaps which were greyed out in the report.

It was noted that in addition to the consistency work by the Auditors, it was proposed to seek an external review of the way the document demonstrated compliance with the Stewardship Code to make sure that no items had been missed.

RESOLVED – That members:

- i) Approve the draft Annual Report as circulated.
- ii) Note that further work was required to incorporate information not yet available and to allow an external assessment of compliance with the Stewardship Code before final publication which would require some additions and amendments.
- iii) Delegate authority to the Chair of the Committee to authorise publication of the final version once those procedures and the external audit had been completed.

11 INTERNAL AUDIT ANNUAL REPORT 2021/22

A report was submitted which detailed the Internal Audit Team's completed assignments relating to the 2021/22 Audit Plan, agreed management actions and also the Head of Internal Audit's assurance opinion based on the work undertaken.

Members were reminded that the Audit Committee had received quarterly reports throughout the audit year; in each of these reports a reasonable assurance opinion had been given.

Taking the whole year into account it was appropriate for the Head of Internal Audit to give an overall reasonable (positive) assurance opinion for the year.

The report contained details of the delivery of the internal audit planned days for 2021/22 with a breakdown of Service Area and also the number of planned assignments for the 2021-22 planned days and those completed at the time of writing the report.

It was noted that four reviews were deferred into 2022-23, these were Procurement Compliance, Post Implementation of the Financial Management System, the Pensions Administration System and a Business Continuity Planning review.

R Winter informed the Committee that Internal Audit had completed 10 individual reviews of aspects of the Authority's governance, risk and internal control framework during 2021-22 that resulted in a formal report, all of which had received a positive opinion.

The Head of Internal Audit commented that the Committee could be assured of the openness and honesty from Management and there were no issues regarding access to information. There were also no concerns over updates to agreed management actions.

The Committee discussed the reasons for changes to the Plan during the year which included the knock-on effect of Covid and other workload pressures and also the importance of realistic completion date for agreed management actions.

RESOLVED – That members note the Internal Audit Annual Report.

12 INTERNAL AUDIT CHARTER 2021-24

A report was submitted which presented the Internal Audit Charter (attached at appendix A) for approval as required by the Public Sector Internal Audit Standards.

S Bradley commented that it was good practice to review the Charter periodically to ensure it reflected how the function operated and to ensure the requirements and provisions of the PSIAS were adequately covered. It was noted that no changes were required; the Charter represented how Internal Audit operates.

RESOLVED – That the Committee 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

S Bradley presented a report which provided a summary of the Internal Audit activity completed, and the key issues arising from it from 1st April 2022 to 26th June 2022.

A table within the report showed the progress of the Internal Audit Plan analysed by the number of plan assignments and audit days delivered.

It was noted, to date, 10% of planned days had been delivered. The 2022/23 Plan (as in previous years) was profiled more heavily towards the end of the financial year and Internal Audit had profiled resources accordingly.

Three reports had been issued during the period, all of which had received a positive assurance opinion. The report gave details of these along with other internal work undertaken. It was noted that there had been no changes to the Plan during the period.

RESOLVED – That the report be noted.

14 PROGRESS UPDATE ON ACTIONS ARISING FROM AUDIT REVIEWS

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

G Taberner informed members that the new Governance Team was now in place and in future Annie Palmer, the Governance and Risk Officer, would be presenting the report.

N Doolan-Hamer asked about progress of the new Wellbeing policy and changes to the induction process.

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G Taberner replied that this included monthly updates from Westfield Health, webinars and training on several topics, menopause awareness, fresh fruit weekly and free flu vaccinations for staff.

Westfield had provided individual health assessments in March and another session would be held in September.

G Graham informed members that the aim was also to improve the quality of the induction process for staff and make it less labour intensive for HR colleagues using all available tools the Authority had access to.

N Doolan-Hamer suggested that the policy should be shared with the larger employers once completed as an example of good practice.

G Taberner agreed that it could be shared with members.

RESOLVED – That the report be noted.

CHAIR