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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

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