

Agenda Item

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|-----------------------------------|--|---------------|-----------------|
| Subject | Internal Audit Annual Report 2024/25 | Status | For Publication |
| Report to | Audit and Governance Committee | Date | 17/07/2025 |
| Report of | Head of Corporate Assurance (Head of Internal Audit) | | |
| Equality Impact Assessment | Not Required | | |
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1. Purpose of the Report

- 1.1 To report on the Corporate Assurance Team's completed assignments relating to the 2024/25 internal audit plan, agreed management actions and also the Head of Corporate Assurance's (as the Head of Internal Audit) assurance opinion based on the work undertaken.

2 Recommendation

- 2.1 *Members are recommended to consider and receive the report.***

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 Corporate Assurance are a key source of assurance contributing to the evidence the Committee receives to assure them that the governance, risk and internal control environment is adequate and operating as intended.

At the end of the financial year, the Head of Corporate Assurance (the designated Head of Internal Audit) produces an Annual Report, which provides an overall opinion on the adequacy of the Authority's governance, risk and internal 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 services 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 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 (Head of Internal Audit)

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

South Yorkshire Pensions Authority
Corporate Assurance (Internal Audit)
Annual Report 2024/25

Audit and Governance Committee

17th July 2025

The matters arising in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

CORPORATE ASSURANCE (INTERNAL AUDIT) ANNUAL REPORT 2024/25

Purpose of this report

To report on the Corporate Assurance Team's completed internal audit assignments relating to the 2024/25 Plan, agreed management actions and the Head of Corporate Assurance's assurance opinion on the Authority's internal control, risk management and governance arrangements based on the work undertaken.

Background

In accordance with statutory best practice provided by the Public Sector Internal Audit Standards (PSIAS), there is a requirement that the Head of Corporate Assurance (Internal Audit) (HoCA) prepares an annual report to the appropriate member body providing, amongst 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. For the Authority, the appropriate member body is the Audit and Governance Committee.

The Accounts and Audit Regulations require all local authorities to publish an Annual Governance Statement (AGS) providing a narrative on the Authority's internal control, risk management and governance framework, the results of the annual review process and detailing any actions to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.

This report provides a summary of key issues arising from the work of Corporate Assurance covered in the 2024/25 Internal Audit Plan and up to the point of preparing this report, which contributes to the overall assurance opinion the HoCA is able to give the Audit and Governance Committee. The work of Corporate Assurance has been undertaken throughout the year with no impairment to our independence or objectivity.

Although providing an important and significant contribution to the assurances the Audit and Governance Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit and Governance Committee will receive the AGS for 2024/25 at the July meeting. The Audit and Governance Committee are therefore encouraged to consider this annual report in the context of broader sources of assurance.

The financial budget for the Internal Audit service provided by the Corporate Assurance Team is clearly set covering the period 1st April to 31st March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Corporate Assurance's opinion is provided reflecting all the work undertaken at the point of the approval of the AGS and Accounts.

Head of Corporate Assurance's Indicative Opinion on the Effectiveness of the Authority's Governance, Risk and Internal Control Environment

The Audit and Governance Committee has received progress reports throughout the year. In each of these reports an indicative **reasonable** annual assurance opinion had been given reflecting on an incremental basis an overall satisfactory level of internal controls and their application and also satisfactory governance and risk arrangements.

Taking the whole year into account, the reviews completed and status of the approved annual plan (in terms of amendments and deferrals requested by management in year), it is appropriate to give an overall **reasonable** (positive) assurance opinion for the year. The information supporting this opinion is provided below.

The general financial pressures on the public sector, coupled with significant legislative and organisational changes in the pensions arena will in turn place pressure on the capacity of senior management that if not managed effectively could give rise to threats to the effectiveness of the control, risk and governance framework. The Authority's Senior Management Team will need to remain focused on maintaining a sound internal control, risk and governance framework – i.e. 'staying safe' in 2025-26 and beyond. The 2025-26 Internal Audit Plan aims to support the Authority and Senior Management through this period as well as focus on particular areas of activity and responsibility identified as higher risk.

The Head of Corporate Assurance is conscious of the extent and nature of overall scrutiny, oversight and challenge the Authority is subject to. Of particular importance is the good and effective working relationship between the Corporate Assurance Team and senior management and other managers, to ensure an efficient review is delivered and resources are directed to the most important areas of risk.

Although review work aims to cover a broad range of services, systems and areas of Authority activity, it needs to be recognised that coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly, the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Director regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas.

There have been plan amendments in year relating to four areas where Internal Audit was to provide advice, support and guidance to management during the internal developmental (project) work. However, for a number of reasons, these were scaled back and/ or deferred into 2025/26. Refer to page 7 and also Appendix B for details.

To remind the Committee, assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

| | Level | Control Adequacy | Control Application |
|------------------------------|------------------------------|--|---|
| POSITIVE OPINIONS | Substantial Assurance | A robust framework of controls exists that are likely to ensure that objectives will be achieved. | Controls are applied continuously or with only minor lapses. |
| | Reasonable Assurance | A sufficient framework of key controls exists 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 Assurance | Risk exists of objectives not being achieved due to the absence of key controls in the system. | A significant breakdown in the application of key controls. |
| | No Assurance | A significant risk exists of objectives not being achieved due to the absence of controls in the system. | A fundamental breakdown in the application of all or most controls. |

The Corporate Assurance Team seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2024-25, no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this annual assurance opinion.

Summary of the Corporate Assurance Team's Internal Audit Work and Coverage 2024-25

The Corporate Assurance Team aims to utilise a risk-informed approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by the work undertaken. The Corporate Assurance Team was able to use the Strategic and Operational Risk Registers to contribute to the planning of coverage. The planning process and details of the 2024-25 Plan were reported to the Audit Committee in the March 2024 meeting.

The Audit and Governance Committee has received reports at each meeting that incorporate the results of review work and management's response on a continuous basis. A summary of the finalised reports for 2024-25 is at Appendix A.

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 review work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.

It should also be noted that internal audit work is variable both in its nature and timing. The risk-informed approach aims to ensure the highest priority work is undertaken. As with all plans, the Plan was determined at a particular point in time (March 2024) utilising information available and has been subject to changes in certain areas. The Audit and Governance Committee should be assured that within the finite resources available to Corporate Assurance, the key risks identified have either received attention during the year or are reflected in the plan for 2025-26.

2024-25 Internal Audit Plan Progress

The following table shows the delivery of the corporate assurance planned days for 2024-25 (incl. days spent on completing 2023-24 work in Q1 of the financial year), with a breakdown per Service Area. A further table confirms the number of planned assignments for the 2024-25 planned days and those completed at the time of drafting this report.

As at financial year end, we had delivered 88% of the planned days (12% of the planned days remained in contingency i.e. unallocated at year end) and a total of 15 formal reports have now been completed. The majority of work was scheduled to be undertaken towards the end of the financial year and Corporate Assurance profiled their resources accordingly.

Two reviews were deferred into 2025-26, these being the provision of advice / support to management during the design and implementation of the new Staff Payroll and HR System and the new Investment Management System. There was a reduction in time required to advise and support management in the Business Continuity Arrangements due to an external consultant being commissioned by management in-year. Also, a reduction in time required in-year to develop a Performance Management Framework. Refer to Appendix B for details.

Delivery of 2024-25 Plan – Days Delivered as at 31st March 2025

| | Original plan days | Revised plan days | Actual days (% of revised days) |
|-------------------------|--------------------|-------------------|---------------------------------|
| Finance | 80 | 77 | 76.5 (99%) |
| Pensions Administration | 10 | 18 | 17 (94%) |
| Investment Strategy | 26 | 17 | 16.9 (99%) |
| Authority Wide | 54 | 49 | 49.8 (102%) |
| Corporate Services | 28 | 16 | 16.3 (102%) |
| Contingency | 2 | 23 | |
| Chargeable Planned Days | 200 | 200 | 176.5 (88%) |

Delivery of 2024/25 Plan – Planned Assignments Delivered as at 15th June 2025

| | Planned Assignments | Actual Assignments Completed |
|-------------------------|---------------------|------------------------------|
| Finance | 8 | 8 |
| Pensions Administration | 1 | 2* |
| Investment Strategy | 2 | 2 |
| Corporate Services | 1 | 1 |
| Authority Wide | 2 | 2 |
| | 14 | 15 |

* There has been one change to the 2024-25 plan during the year which resulted in an additional review relating to the Customer Service Contact Centre being incorporated into the plan (as part of the utilisation of the DPO assurance days).

Summary of Governance, Risk and Internal Control Issues Arising from Corporate Assurance's Internal Audit Work in 2024-25

Corporate Assurance has completed 15 individual reviews of aspects of the Authority's governance, risk and internal control framework during 2024-25 that resulted in a formal report. These reviews sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control.

A summary of the assurance opinions given for the 15 reports issued, where an assurance opinion was provided, are shown below together with a comparison to 2023/24 and 2022/23.

| Assurance Opinion | | 2024/25 Completed | | 2023/24 | | 2022/23 | |
|-------------------|--------------|-------------------|-------------|-----------|-------------|-----------|-------------|
| | | No. | % | No. | % | No. | % |
| Positive Opinions | Substantial | 12 | 80% | 8 | 57% | 3 | 27% |
| | Reasonable | 3 | 20% | 5 | 36% | 8 | 73% |
| Negative Opinions | Limited | 0 | 0% | 1 | 7% | 0 | 0% |
| | No Assurance | 0 | 0% | 0 | 0% | 0 | 0% |
| TOTAL | | 15 | 100% | 14 | 100% | 11 | 100% |

Across the various completed pieces of work 13 implications were reported and management actions agreed. These are summarised below:

| | 2024/25 | | 2023/24 | | 2022/23 | |
|--------------|---------|------|---------|------|---------|------|
| AMA Category | No. | % | No. | % | No. | % |
| High | 0 | 0% | 0 | 0% | 1 | 4% |
| Medium | 1 | 8% | 9 | 50% | 14 | 58% |
| Low | 12 | 92% | 9 | 50% | 9 | 38% |
| Total | 13 | 100% | 18 | 100% | 24 | 100% |

One medium (8%) and twelve low (92%) categorised management actions were made in relation to reviews completed during 2024/25. In all cases, management have agreed to implement the required actions and set timescales for implementation. There were no high categorised management actions identified from any of the reviews.

Although there has been significant pressure on management throughout the year and across all services, Corporate Assurance has continued to get good co-operation from management across the Authority and at various levels.

Details of the key issues arising from these reviews have been presented to the Audit and Governance Committee in the progress reports at each meeting.

As stated in the progress reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential/risk* that losses or inefficiencies could occur.

An important part of Corporate Assurance's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority, all eight reviews resulted in substantial assurance in 2024/25.

Corporate Assurance monitors the implementation of management actions. The progress is reported to the Audit and Governance Committee via the internal audit progress reports. These include the priority level and status of newly added management actions. As at 15th June 2025, there were no management actions that remained outstanding six months after the original agreed implementation date and/or that had 3 revisions to the original agreed implementation date.

The timeliness of when management implement their agreed actions has been generally satisfactory throughout the year, with reasons provided where original agreed dates have not been met and revised dates provided.

Other Corporate Assurance work undertaken

Corporate Assurance undertake work in other areas that doesn't necessarily produce a report or a specific opinion. However, all corporate assurance work is considered in the preparation of this annual report. The table below shows the areas of other Corporate Assurance activity.

| Corporate Assurance (Internal Audit) Activity | Description |
|--|--|
| Follow-up of Agreed Management Actions | Regular work undertaken to follow-up of agreed management actions. |
| Liaison, Planning and Feedback | Meeting with Senior Management regarding progress of corporate assurance work, future planning and general client liaison. |
| Advice | General advice to services regarding controls, risk or governance matters. |
| Advice – DPO Assurance | A review of documentation (where required). |
| Audit and Governance Committee Support | Time taken in the preparation of Committee reports, Member training (where required), general support and development. |
| Chairs Briefing | To provide training and support to the Chair of the Audit Committee on audit & risk. |
| NFI | Time allocated to undertake the National Fraud Initiative data matching exercise. |
| Project / Programme Management | To provide high level advice, support and guidance to the newly appointed Project Manager, during the development and implementation of a programme/ project management framework. |

Appendix A

Summary of Corporate Assurance (Internal Audit) Reports 2024-25

| Assignment | Assurance Opinion | Number of implications raised: | | | Total | Agreed |
|---|-------------------|--------------------------------|----------|-----------|-----------|-----------|
| | | High | Medium | Low | | |
| Authority Wide: Data Protection / UK GDPR – Data Breaches & DPIAs | Reasonable | 0 | 0 | 2 | 2 | 2 |
| Authority Wide: Pentana Risk Management System – PIR | Substantial | 0 | 0 | 1 | 1 | 1 |
| Finance: Purchase Management (Purchase to Pay) | Substantial | 0 | 0 | 2 | 2 | 2 |
| Finance: Main Accounting | Substantial | 0 | 0 | 0 | N/A | N/A |
| Finance: Other Benefits (incl. Transfer Values / Lump Sums / Rechargeable Pensions) | Substantial | 0 | 0 | 0 | N/A | N/A |
| Finance: Valuation of Assets | Substantial | 0 | 0 | 0 | N/A | N/A |
| Finance: Treasury Management | Substantial | 0 | 0 | 0 | N/A | N/A |
| Finance: Pensions (UPM) Payroll | Substantial | 0 | 0 | 0 | N/A | N/A |
| Finance: Staff Payroll | Substantial | 0 | 0 | 0 | N/A | N/A |
| Finance: Fund Contributions | Substantial | 0 | 0 | 0 | N/A | N/A |
| Pensions Admin: Pensions Administration System | Reasonable | 0 | 1 | 2 | 3 | 3 |
| Pensions Admin: Customer Services including Contact Centre | Reasonable | 0 | 0 | 3 | 3 | 3 |
| Corporate Services: Corporate Strategy / HR Strategy | Substantial | 0 | 0 | 1 | 1 | 1 |
| Investment Strategy: Investment Strategy and Decision Making | Substantial | 0 | 0 | 0 | 0 | N/A |
| Investment Strategy: Climate Change and Net Zero Carbon | Substantial | 0 | 0 | 1 | 1 | 1 |
| Total | | 0 | 1 | 12 | 13 | 13 |

Appendix B

Plan Amendments During the Year

| Assignment | Outline Scope / Purpose | Reason for Plan Amendment |
|--|---|---|
| Performance Management Framework | To provide advice, support, and guidance to management during the design and implementation of the Performance Management Framework. | Advice, support and guidance on implementation of the Performance Management Framework deferred to 2025/26. |
| Business Continuity Planning | To provide assurance that the lessons learned and innovative working practices arising from the reactive phase to the pandemic and also the revised arrangements following the office move have been considered and factored into BAU (where required). The BCP Plans have been revised, updated and tested. | Corporate Assurance work scaled back due to reduced level of support required by management following appointment of an external consultant to review the Authority's Business Continuity arrangements. |
| Staff Payroll and HR System – Design and Implementation | To provide advice, support and guidance to management during the design and implementation stages of the Payroll and HR System(s). Currently Flexipay and T&A. The systems and processes need modernising incl. workflows e.g. online expenses claims, and better interfacing with the Internet site for recruitment. | Deferred to 2025 by management. |
| Investment Management System – Design and Implementation | To provide advice, support and guidance to management during procurement and implementation of the new Custodian. | Deferred to 2025/26 to allow for the Contract arrangements with the new Custodian to be fully established. |