North Yorkshire County Council

Pension Board

19 July 2018

Internal Audit Plan

Purpose of Report

To provide the Pension Board with an update on internal audit activity

Audit Plan 2017/18

The Internal Audit Plan for 2017/18 was approved at the Board meeting on 20 July 2017. All work within the 2017/18 plan has now been completed as detailed below

Audit	Days	Status	Assurance Level
Pension Fund Governance Arrangement The audit will review the governance arrangements for the pension's fund, including compliance with CIPFA guidance and pensions fund regulations. This will include a review of the Annual report, and the issue of Benefits statements to scheme members.	**15**	**Final**	**Substantial Assurance**
Pension Fund Expenditure The audit will review the processes for paying pensions, in particular reviewing payment of new pensions and changes to pension entitlement.	**15**	**Final**	**Reasonable Assurance**
Pension Fund Income The audit will review the processes in place for the collection of income from member organisations and the income from early retirement strain on fund payments, and transfers into the fund	**15**	**Final**	**Reasonable Assurance**

Copies of the Pensions Governance, Income, and Expenditure final reports are attached as **Appendix 1**

Implementation of recommendations

Progress in the implementation of agreed recommendations is detailed in the table below

Audit	Findings	Status
Pension Investments 2016/17	No Findings	No follow up required
Pensions Income 2016/17	2 Priority 3 Findings	All findings actioned
Pensions Expenditure 2016/17	2 Priority 2 Findings 1 Priority 3 Finding	All findings to be implemented by 31/3/2018
Altair IT System 2016/17	1 Priority 3 Finding	Finding actioned

2018/19 Draft Plan

The audit plan approved by the NYCC audit committee on 21 June included an allocation of 50 days for the North Yorkshire Pension Fund. A draft plan is attached as **Appendix 2**. The plan covers the main areas of operation of the pension fund, looking at investments, income and expenditure. The income and investment processes cover a wide variety of activities, and are normally covered within the plan on an annual basis. The specific areas to be covered this year have been determined following discussions with pension's staff

Recommendation
Pension Board Members are asked to note this report

Ian Morton,

Audit Manager,

Veritau Ltd.

Veritau
Assurance Services for the Public Sector

Pension Fund Governance Arrangements

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Internal Audit Report 2017/18

Business Unit: Central Services
Responsible Officer: Corporate Director – Strategic Resources
Service Manager: Head of Technical Finance
Date Issued: 4 July 2018
Status: Final
Reference: 32230/001

	P1	P2	P3
Actions	**0**	**1**	**3**
Overall Audit Opinion	Substantial Assurance		

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Summary and Overall Conclusions

Introduction

The North Yorkshire Pension Fund (NYPF) is one of 89 funds of the Local Government Pension Scheme (LGPS) that are administered locally. As at 31 March 2017 there were 140 contributing employer organisations within the scheme including the County Council. These included 95 scheduled bodies and 45 admitted bodies. In addition to employees working in local government, a number of other public, education and voluntary sector employees are also members of the LGPS. Private contractors engaged in local authority work are also able to participate in the scheme.

The LGPS is a funded scheme that has assets of approximately £250bn and provides for a national benefits package. The LGPS is governed by various acts of legislation including The Local Government Pension Scheme Regulations 2013 (including subsequent amendments). The legislation requires that each fund maintains and keeps under review an array of statutory documentation. In addition each fund must prepare and publish an Annual Report on the activities of the pension fund for the period following the CIPFA guidance "Preparing the Annual Report, Guidance for LGPS Funds 2014".

A review of pension fund governance has not been undertaken since this legislation came into force. Failure to follow government legislation could result in fines/penalties and also impact upon the reputation of the NYPF.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that there were appropriate procedures and controls in place surrounding the governance arrangements for the NYPF. This included ensuring that:

- the NYPF complied with part 3 of The Local Government Pension Scheme Regulations 2013 (including subsequent amendments);
- the NYPF had the required statutory documentation in place that had been prepared in accordance with the requirements of the legislation;
- the Annual Report had been prepared in accordance with the CIPFA guidance; and
- Annual Benefits statements were made available to members within the required timescales.

Key Findings

NYCC as a county council is the administering authority for the NYPF and as such has ultimate responsibility for the Fund. It has delegated its powers to manage the Fund to the Pension Fund Committee. The governance arrangements for the NYPF are good, the NYPF on the whole is complying with the requirements of the Local Government Pension Scheme Regulations 2013 (including subsequent amendments), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and CIPFA guidance. The NYPF has in place a Pensions Board underpinned by agreed Terms of Reference and separate Conflicts of Interest Policy and Training Policy. The Pension Fund

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Committee manages its responsibilities through agreed documentation namely a Pensions Administration Strategy, Investment Strategy Statement, Funding Strategy Statement and Governance Compliance Statement that reflect the requirements of the regulations. These documents are reviewed periodically, agreed and updated where necessary.

There were a small number of instances where the NYPF did not fully meet the requirements of the regulations. These included:

- not being able to confirm or evidence that an Interest Form had been completed by NYPF Pensions Board members disclosing any pecuniary interests that could impact upon their role on the board;
- the Annual Report not including all information that stakeholders may want to know to be confident the fund is being managed effectively;
- Annual Benefit Statements not being made available to members within timescales and not penalising employers when they fail to provide accurately and timely information in order to prepare those statements; and
- not providing the Secretary of State with a copy of the agreed Pension Administration Strategy.

Training has been provided to members, although two new members of the committee are yet to receive training, and substitute members who have also not received formal training are able to vote when attending in place of regular members. A review of training requirements for Pensions Committee members may be beneficial.

Overall Conclusions

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 NYPF Pension Board

Issue/Control Weakness	Risk
A copy of pecuniary interests is not held centrally, and there is no clear policy to determine how often the forms should be completed.	Decisions may be taken that may not necessarily be in the best interest of the NYPF or its members.

Findings

NYCC as a county council is the administering authority for the NYPF and as such has ultimate responsibility for the Fund. It is regulated by the requirements of The Local Government Pension Scheme Regulations 2013 (including subsequent amendments) and has delegated its powers to manage the Fund to the Pension Fund Committee. Part 3 of the regulations require administering authorities to have set up a Pension Board and have specific requirements surrounding its establishment, membership and conflicts of interest. The regulations require that each administering authority must be satisfied that any person appointed as a member of a Pension Board does not have a conflict of interest. The NYPF Pension Board has been set up and meets the requirements of the regulations these are reflected through their agreed Terms of Reference and separate Conflicts of Interest Policy and Training Policy.

A requirement of the NYPF Conflicts of Interest Policy is for the NYPF Pension Board to include an item on conflicts of interest at each meeting of the board and this was found to be happening. A further requirement of the policy is for the NYPF Pension Board to maintain a written register of dual interests and responsibilities which have the potential to become conflicts of interest. At the NYPF Pensions Board meeting of 30 July 2015 there was a requirement for members to have completed an Interest Form and to have disclosed any pecuniary interests. Neither the Senior Lawyer (Governance) or the Principal Committee Administrator were able to confirm whether or not these had been completed. In addition they could not confirm whether or not this had been a one off exercise or an annual requirement.

Agreed Action 1.1

Conflicts of interest register to be produced and updated on an annual basis.

Priority	3
Responsible Officer	Assistant Chief Executive (Legal and Democratic Services)
Timescale	31 October 2018

2 NYPF Annual Report

Issue/Control Weakness	Risk
The NYPF Annual Report does not include all the information as set out in the CIPFA Guidance for Local Government Pension Scheme Funds 2014.	The NYPF may not be providing its stakeholders with sufficient information to meet the demands of its breadth of readership for them to be satisfied that the fund is being managed in an effective manner.

Findings

The annual report is a key communication channel between funds and a wide variety of stakeholders, ranging from individual members to employee representative organisations to industry analysts and commentators. As such, the report should contain sufficient information to meet the demands of this breadth of readership. The CIPFA Guidance for Local Government Pension Scheme Funds 2014 provides guidance on preparing the Annual Report and represents a general framework for pension fund administering authorities to meet their statutory obligation to prepare and publish an annual report for the pension fund. It is not to be seen as limiting the way the information is set out in terms of formatting, presentation or level of detail.

The NYPF Annual Report for the year ended 31 March 2017 was compared to this guidance and on the whole it complied with the requirements of the guidance. Each of the topics identified in the guidance was covered although a lot of the detail was contained within the Notes to the NYPF Accounts. However the report did not include as referred to in the guidance under Section A Management and Financial Performance:

- a list of contributing employers and the amount of contributions received from each during the year (split by employers and employees).

As part of the triennial valuation the actuary produces a Rates and Adjustments Certificate that sets out the contribution rates that each of the employers are bound by for the next three years following the triennial valuation, there is a link to where this can be found on the NYPF website but it is not referenced to in the annual report.

In addition the report did not include as a requirement under Section A Management and Financial Performance of the guidance:

- an analysis of amounts due to the fund from employers: the timeliness of receipt of contributions (value and percentage received on or before the due date; aging of overdue contributions, etc), whether the option to levy interest on overdue contributions had been exercised and, if so, on whom and how much.

Furthermore the report did not include as required under Section E of the guidance:

- membership of the pensions panel/committee and any associated sub-committees within a matrix showing for each member their voting rights, attendance at meetings and training received during the reporting period.

In order to provide transparency and demonstrate that the fund is being managed in an effective manner stakeholders should be made aware of those employers that are not meeting their statutory obligations in respect to paying over the correct amount of contributions and in a timely manner and that the fund is taking action against those that fail to do so. Additionally stakeholders would expect members of the Pension Fund Committee who vote and make decisions that affect the financial performance of the fund to attend meetings and be equipped with the necessary knowledge to make those decisions. The NYPF website holds copies of all of its meetings agendas, reports, minutes etc that includes detail of those who attended the meetings together with a regular update of member training undertaken. A link to where this information can be found is not currently included in the annual report.

Agreed Action 2.1

For points 1 and 3 above, this information is already published on the NYCC or NYPF website, so rather than duplicate this information in the Annual Report, links will be inserted into the report to take readers to the existing information.

With regard to point 2 above we will seek guidance from the Pension Fund Committee.

Priority	3
Responsible Officer	Senior Accountant
Timescale	31 October 2018

3 Annual Benefit Statements

Issue/Control Weakness	Risk
The Local Government Pension Scheme Regulations 2013 require that Annual Benefit Statements must be issued to active and deferred members no later than five months after the end of the scheme year to which it relates ie for the NYPF this is by 31 August. Employers are not providing prompt accurate information to the NYPF to enable it to meet the requirements of the regulations.	Non compliance with legislation resulting in fines/penalties and/or reputational damage to the NYPF.

Findings

An Annual Benefit Statement must be issued to its active and deferred members no later than five months after the end of the scheme year to which it relates ie for the NYPF this is by 31 August. For the year ending 31 March 2016 982 members across 42 different employers did not receive their annual benefit statement by the required date, 731 of these were for employees of NYCC. For the year ending 31 March 2017 2,384 members across 55 different employers did not receive their annual benefit statement by the required date, 600 of these were employees of CYC and 966 of NYCC. It was noted that 30 employers had members of the NYPF who did not receive their statements by the required date for both years. Neither the Pension Fund Committee nor the Pension Board are made aware of the numbers of employees and specific employers involved, they are only told of the % of statements issued as at 31 August.

Even though the NYPF is allowed to impose financial penalties on those employers who fail to submit the correct information and/or within timescales for them to produce an Annual Benefit Statement they do not do so. A decision was taken some years ago by a former pension's manager to cease imposing fines and to work with employers through providing guidance, training and support to improve the quality and timeliness of information. In light of the current situation the NYPF may wish to reconsider this strategy, by not imposing penalties there is no incentive for employers to fulfil their obligations and the NYPF may itself face penalties from the regulator.

Agreed Action 3.1

1. Charging will be reintroduced for the 2019 year end.
2. Analysis of the 2018 year end will be undertaken & employers notified of what the charge would have been based on the data received.
3. Help and training will be offered to help employers improve data quality for 2019 year end to avoid the fines.
4. Results of the analysis will be provided to the Pension Board and Pension Fund Committee in Oct 2018.

Priority	2
Responsible Officer	Head of Pensions Administration
Timescale	31 October 2018

4 Pension Administration Strategy

Issue/Control Weakness	Risk
The NYPF is not fully meeting the requirements of the Local Government Pension Scheme Regulations 2013.	Non compliance with legislation.

Findings

Regulation 59 of the Local Government Pension Scheme Regulations 2013 covers the Pension Administration Strategy. There is no legal requirement for a fund to have a Pension Administration Strategy. However where a fund chooses to have such a strategy there are a number of requirements. Paragraph 4 of regulation 59 states “In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its scheme employers and such other persons as it considers appropriate.” It was explained that individual scheme employers were not consulted over the strategy and that decisions over the document and any subsequent amendments and revisions were taken by the Pension Fund Committee after consultation with the Pension Board. Both of these have employer representatives in attendance at meetings.

Paragraph 6 of regulation 59 states “Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its scheme employers and to the Secretary of State as soon as is reasonably practicable.” It was explained that the strategy and any subsequent revisions of the document have not been sent to the Secretary of State.

Agreed Action 4.1

1. The Pension Administration Strategy document will be circulated to employers for comment and feedback at each annual review wef 2018.
2. The final approved version will then be issued to employe's and sent to the Secretary of State.

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	31 August 2018

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
Opinion	**Assessment of internal control**
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

Pension Fund Income

North Yorkshire County Council

Internal Audit Report 2017/18

Business Unit: Central Services
Responsible Officer: Corporate Director - Strategic Resources
Service Manager: Head of Technical Finance
Date Issued: 25 June 2018
Status: Final
Reference: 32200/007

	P1	P2	P3
Actions	**0**	**3**	**6**
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

The Local Government Pension Scheme is a statutory scheme for local authority employees, operated under the Local Government Pension Scheme Regulations under regulations issued by the Ministry of Housing, Communities and Local Government (MHCLG). The North Yorkshire Pension Fund (NYPF) is one of 89 funds of the Local Government Pension Scheme (LGPS) that are administered locally. As at 31 March 2017 there were 140 contributing employer organisations within the scheme including the County Council. These included 95 scheduled bodies and 45 admitted bodies. In addition to employees working in local government, a number of other public, education and voluntary sector employees are also members of the LGPS. Private contractors engaged in local authority work are also able to participate in the scheme.

The budgeted income for the 2017/18 financial year has been set at £147.2m. The vast majority of the budget some £141m will come from scheme employers in the form of employer and employee contributions which must be paid over to the NYPF within timescales specified by the regulator. Some £38.9m in the form of deficit payments was paid by seven employers in April 2017 three years in advance. Individual employer contribution rates are determined by the fund actuary and reassessed every three years through the Triennial Valuation, the last actuarial valuation was completed in 2016. The Rates and Adjustment Certificate details the contributions that should be paid by each individual employer for the period 1 April 2017 to 31 March 2020 that also includes deficit payments which the majority of employers have to pay.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured that:

- correct and timely payments were received from employers;
- for those members who had retired early where there was a strain on the fund payments from employers were monitored to ensure the deficit was paid in full within agreed timescales;
- processes were in place for monitoring and recording the receipt of income from member transfers in from pervious employment; and
- income was regularly reconciled to Oracle and to the NYPF bank account.

Key Findings

The audit identified that generally correct and timely payments are received from employers, although some issues were identified for some of the smaller employers particularly academies. Processes are in place for monitoring and recovering strain on the fund payments from employers and for the monitoring and recording of income from member transfers in from previous employment.

It is unclear if all reconciliations are performed for the correct purposes, and if they provide suitable controls to ensure all payments are received correctly and promptly. The timeliness of receipts from some employers is poor and it is not identified early enough and it is not monitored or escalated in an effective manner. The NYPF Pensions Administration Strategy allows for a penalty system however there does not appear to be a formal process for recovery or escalating issues to the Pension Fund Committee (PFC).

The processes for raising debtor accounts are not efficient, with some duplication and delays. Debtor’s invoices are not raised for transfers into the scheme.

Overall Conclusions

It was found that the arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Contributions from scheme employers

Issue/Control Weakness	Risk
The NYPF Pensions Administration Strategy allows for a penalty system however there does not appear to be a formal process for recovery or report to the board.	Financial loss to the NYPF.

Findings

Regulation 71 of the LGPS Regulations allows for administering authorities to charge interest on late payments from scheme employers. The NYPF has incorporated a penalty system into their Pensions Administration Strategy. However there does not appear to be a formal process for recovery of overdue payments, or reporting to the board. In general informal discussions take place with scheme employers to resolve overdue payment issues.

A sample of payments from ten scheme employers was reviewed. These included district councils, academies, a university and a further education college. Testing identified no issues with the larger employers however there was a significant issue with the smaller employers in particular academies. Brayton High School have not made any contribution towards the £26,300 deficit for 2017/18 and only paid the deficit for 2016/17 on 10 October 2017, have not paid their monthly contributions for March 2017 which was due for payment on 19 April 2017 and have failed to make other monthly payments on time. The contributions which were due on 19 April 2017 some £6,639.66 remain outstanding and were not identified during the normal reconciliation and monitoring process. Payments from Stokesley Primary School for January, February and March 2017 were not received until April, May and June 2017 respectively. No formal action was taken with either of the academies directly there was no reporting to the NYPF Pension Fund Committee, the NYPF Pension Board or to the regulator itself.

Agreed Action 1.1

There is a plan in place to review the charging for late payments and incorrect paperwork provided by Employers. The charging schedule will go into the Pension Administration Policy that will go to Pension Fund Committee for approval in the September meeting.

Priority	3
Responsible Officer	Head of Pensions Administration/ Senior Accountant
Timescale	30 September 2018

2 Contributions from scheme employers

Issue/Control Weakness	Risk
The spreadsheet used to monitor contributions from scheme employers contains too much information and not necessarily the correct information for it to be an effective monitoring tool.	Issues with particular scheme employers may not be easily identified and as such prompt corrective action not taken to resolve them.

Findings

The Employer Contributions Summary Spreadsheet is a proforma spreadsheet used by scheme employers to advise the NYPF of what they intend to pay in any given month. A separate monitoring spreadsheet is used to record and monitor these contributions and this spreadsheet is very complicated. On receipt of the proforma detail is copied onto the monitoring spreadsheet broken down by employee contributions, added years, employers Future Service Rate and employer's deficit. The figures recorded on the monitoring spreadsheet are those they expect to receive and not what they actually receive. Within the monitoring spreadsheet there is no formulae that identifies if the payment received is late and by how many days that particular payment is late. There is nothing that highlights payments that have been not been received in a specific period and by how many days these payments are late and it is very difficult to identify specific issues. In addition the spreadsheet does not provide for an on going running total of contributions paid and due to date to be able to easily identify the extent to which any scheme employer is in debt to the NYPF. There is no policy that would allow for information to be passed to the PFC to enable decisions to be made.

When payment is received it is not always the same as previously advised, this figure is recorded separately on the spreadsheet which highlights a difference. Oracle is updated at the end of the month and the amount recorded on Oracle is the amount actually paid over by the scheme employer. As a result when a reconciliation takes place between the monitoring spreadsheet and Oracle what they are reconciling to is what they expect to receive and what has been received and explanations are recorded for differences rather than adjustments to achieve a balance. It is therefore difficult to be certain that the systems actually balance.

Agreed Action 2.1

There has been a new Employer Contributions spreadsheet produced for 2018/19 that addresses the points made above.

On the point around presenting information on late payments to PFC, officers can suggest that this happens quarterly going forward and agree the criteria for presenting to PFC (e.g. a minimum monetary value, repeat offenders, number of days/weeks late).

Priority	3
Responsible Officer	Senior Accountant
Timescale	30 September 2018

3 Contributions from scheme employers

Issue/Control Weakness	Risk
Oracle is not being corrected promptly when coding errors have been identified through the reconciliation process.	Inaccurate records may be held on Oracle.

Findings

A quarterly reconciliation is undertaken between the Employer Contributions Summary Spreadsheet and Oracle by the Business Support Officer. It was noted that when income is posted to an incorrect subjective code these are not corrected promptly after the reconciliation process and are only done so at the year end. A reconciliation process is not effective if those undertaking it are required to account for previous errors that have not been corrected. This means that errors can be there for a long time and does not allow Oracle to be used for any comparison purposes.

Agreed Action 3.1

Corrections to coding are currently carried out at year end only due to resourcing issues. The benefits of undertaking corrections at the time of reconciliation will be reviewed against the additional resource requirement.

Priority	3
Responsible Officer	Senior Accountant
Timescale	30 September 18

4 Strain on the fund costs recharged

Issue/Control Weakness	Risk
There is no periodic reconciliation between the spreadsheet used by the NYPF Business Support Administrator to monitor the invoicing for strain on the fund costs recharged to the reports downloaded from Altair to ensure scheme employers have been invoiced fully and correctly.	Financial loss to the NYPF.

Findings

A strain on the fund occurs when a scheme employer agrees to allow a member to retire early eg through redundancy, ill health retirement etc and in doing so the pension fund has to pay out more in retirement benefit than it would otherwise have had to do had the member retired at normal retirement age. In these cases the scheme employer has to pay the additional cost. On a weekly basis the pension administration systems team run reports from Altair identifying those members who have retired early which result in a strain on the fund. An arrangement is made with the scheme employer to repay this either in one payment or over a period of three or five years. An email is sent to the NYPF Business Support Administrator in Central Services advising of those early retirements where there has been a strain on the fund and where an invoice needs to be raised. A nil return email is not sent.

The NYPF Business Support Administrator maintains a spreadsheet of these early retirements, the arrangements with employers and the calculations showing how much is to be invoiced over the period. However this spreadsheet is not sent to the NYPF to allow for a periodic reconciliation to be done to the reports downloaded from Altair to ensure invoices have been raised for all required cases. Where the reports run from Altair identify no early retirements an email is not sent to this effect for those weeks and as such there is no means of highlighting when an email has not been sent, not received or lost in transmission. During this financial year invoices have been raised to separate scheme employers for four members who retired on 31 May 2015, 31 October 2016, 20 June 2016 and 15 April 2012 but had not been invoiced at the time of retirement. In each case the invoice was only raised when the scheme employer contacted the NYPF. The sum involved totalled £54,639.76. Had the scheme employers not highlighted this to the NYPF this money may not have been recovered.

Agreed Action 4.1

1. Process will be amended to incorporate a shared data transfer area where report will be exported and saved to and the Business Support Administrator will pick up and action.
2. Reconciliation will not be undertaken as it was agreed it is not our responsibility to manage other sections within NYCC.
3. Nil returns are now provided already.

Priority	2
Responsible Officer	Head of Pensions Administration
Timescale	31July 18

5 Strain on the fund costs recharged

Issue/Control Weakness	Risk
The processes and procedures used for recovering strain on the fund payments could be having an adverse financial impact on the NYPF.	Financial loss to the NYPF. Possible reputational damage to NYCC.

Findings

The NYPF Business Support Administrator does not have the required access permissions on Oracle to be able to raise a debtor invoice for the NYPF. An NYCC Request For An Invoice To Be Raised is completed and forwarded to Business Support where the invoice is raised on her behalf and a paper copy returned for posting to the scheme employer along with accompanying supporting documentation. This is a duplication of work, causes delays in the issuing of the invoice and could potentially lead to errors being made.

Reports are downloaded from Altair on a weekly basis by the pension administration team. Where the report identifies there has been a strain on the fund an email is sent to the NYPF Business Support Administrator requesting that an invoice be raised. Even though these requests are made on a weekly basis the NYPF Business Support Administrator only processes these requests on a quarterly basis. As such there is already a potential delay of up to twelve weeks before any recovery action is taken.

As the debtor invoices for strain on the fund payments are raised by NYCC income from these invoices is received into the NYCC bank account and is not transferred to the NYPF until much later. During 2017/18 £2,231,800 was transferred from NYCC to the NYPF, £1,463,000 at the end of quarter 3 and £768,800 at the end of quarter 4. Whilst these funds are in the NYCC bank account the NYPF is losing out on potential investment income.

Agreed Action 5.1

The issues raised above will be addressed as part of the Income and Debt Management project.

Priority	2
Responsible Officer	Head of Technical
Timescale	31 March 2019

6 Strain on the fund costs recharged

Issue/Control Weakness	Risk
The calculation used for strain on the fund recharges has not been reviewed for a number of years and has not been comparable to base rates charged over this period.	Financial loss to the NYPF.

Findings

Where the cost to the fund is not paid straight away but over a period of three or five years a calculation is used. If paid over three years the total cost is calculated as “the strain on the fund cost / 2.78” and if over five years the total cost is calculated as “the strain on the fund cost / 4.31”. These calculations equate to an interest rate of 0.93% and 0.86% respectively on the amount due to be paid in any given year ie no interest is charged on the outstanding balance. It was reported by the NYPF Team Leader that this calculation has not changed in over 22 years 0.93% and 0.86% are low interest rates and over this period they have at various points been significantly higher. As a consequence by not regularly reviewing the rates the NYPF charges to scheme employers for what is in effect a loan the NYPF is potentially losing money.

Agreed Action 6.1

To be included as part of 2019 actuarial valuation

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	1 April 2020

7 Strain on the fund costs recharged

Issue/Control Weakness	Risk
The NYPF is not aware of all debtor invoices that remain outstanding.	Financial loss to the NYPF.

Findings

NYCC credit control chase up those invoices that remain outstanding for strain on the fund costs recharged. Reports are not produced for the NYPF showing those invoices that remain outstanding. Neither does the NYPF undertake any monitoring of invoices that have been raised on its behalf by NYCC. NYPF is in relatively frequent contact with employers and potentially would be able to encourage payment if aware that payment was outstanding. During the course of the audit one invoice 40000718 raised on 2 November 2017 for £9,413.88 remained was identified as outstanding. When this was brought to the attention of the NYPF Business Support Administrator she was able to contact the employer immediately and recover payment.

Agreed Action 7.1

Whilst it is the role of the Credit Control team to chase up the debts of the Pension Fund, it is recognised that there is a benefit for officers of the Fund to chase late payments, especially where there is an ongoing relationship with a particular employer.

As part of the income and debt project there will be reports available to officers to allow the outstanding debt of the Fund to be reviewed. Pension Fund officers will agree with the Credit Control team an appropriate criteria for Pension Fund officers to start to chase the debts (e.g. monetary values and repeat offenders) once this reporting becomes available.

Priority	3
Responsible Officer	Senior Accountant
Timescale	31 March 2019

8 Transfer In income from a member's previous employment

Issue/Control Weakness	Risk
The means of monitoring and reconciling transfer in income are not effective.	Inaccurate accounting records may be held on Oracle.

Findings

Members of the NYPF can transfer in income accumulated from other pension schemes. Once a member of the NYPF agrees to transfer benefit the former pension scheme pays a lump sum into the NYPF bank account. Transfer in income is monitored by the NYPF Business Support Administrator in Central Services using a spreadsheet. Until it is identified where to allocate the income on Oracle it is coded to the NYPF suspense account 200 X4 X1000 3999. Once Central Services receives information from the NYPF the income is reallocated from the suspense account to the appropriate scheme employer's cost code and subjective code.

There is no periodic reconciliation of the spreadsheet to the NYPF bank account to ensure all transfers in have been accounted for. The spreadsheet is not periodically reconciled to the NYPF suspense account. There was a net difference of £139,162.99 between the spreadsheet and the balance on Oracle as at 31 December 2017. Across the whole income process it is unclear if all reconciliations are performed for the correct purposes. Journals are only completed on a monthly basis and can be in excess of 1,000 lines which do not help in the reconciliation process.

Within the pension administration team each member of staff monitors transfers in using the task management system on Altair. Letters are sent to the former employer or former pension fund requesting payment, but no formal invoice is raised. Members of the team then send an email to the NYPF Team Leader detailing amounts to be received and from where. These emails are saved in a folder on Outlook and are used by the NYPF Team Leader to inform the NYPF Business Support Administrator on where to code the income. This process only looks to allocate amounts received, and details are not recorded on a spreadsheet to allow for a process of reconciliation by the NYPF that would highlight amounts received, amounts allocated and amounts outstanding at any given period.

Agreed Action 8.1

Currently processes will be reviewed.

The suspense account includes other unallocated items in addition to transfer in payments, so it would not be expected that the balance on the suspense account will balance to the transfer in spreadsheet. However the process of reconciliation will be reviewed.

Priority	2
Responsible Officer	Senior Accountant
Timescale	31 December 2018

9 Transfer In income from a member's previous employment

Issue/Control Weakness	Risk
The means of monitoring and reconciling transfer in income are not effective.	Inaccurate accounting records may be held on Oracle.

Findings

There is no periodic reconciliation of transfer in income received and coded to the various scheme employer codes on Oracle to ensure all expected and received income has been fully accounted for and correctly allocated. Of the sample of ten transfers in reviewed it was found that whilst all were correctly allocated to the correct cost code on Oracle several entries were coded to the incorrect subjective code. Subjective codes used included 7020 (final salary pension statutory default), 7120 (scheduled bodies death gratuity default) and 7165 (revenue central administration and pensions act premiums paid) and were expenditure codes unrelated to transfers in.

Agreed Action 9.1

Subjective codes on the spreadsheet will be updated with the correct codes.

Priority	3
Responsible Officer	Senior Accountant
Timescale	31 December 2018

Annex 1

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
Opinion	**Assessment of internal control**
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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Pension Fund Expenditure

North Yorkshire County Council

Internal Audit Report 2017/18

Business Unit: Central Services
Responsible Officer: Corporate Director – Strategic Resources
Service Manager: Head of Pensions Administration
Date Issued: 27 June 2018
Status: Final
Reference: 32220/011

	P1	P2	P3
Actions	**0**	**3**	**6**
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

The Local Government Pension Scheme is a statutory scheme for local authority employees, operated under the Local Government Pension Scheme Regulations under regulations issued by the Central Government Department, Communities and Local Government. The Scheme is administered on a local basis and the County Council is responsible for the Scheme within the geographical areas of North Yorkshire and the City of York. In addition to employees working in local government, a number of other public, education and voluntary sector employees are also members of the LGPS. Private contractors engaged in local authority work are also able to participate in the scheme.

The North Yorkshire Pension Fund uses the Altair system for administration purposes. This system has the means of providing a payroll function however these are made on their behalf by the North Yorkshire County Council Employment Support Service through ResourceLink.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system would ensure that:

- once a pension had been calculated there were processes in place for setting up a new record on ResourceLink:
- appropriate processes were in place so that once notified of the death of a pensioner payments were stopped promptly and overpayments recovered;
- appropriate processes were in place for the payment of trivial commutations so that once paid the payroll record was ended;
- there were processes in place to stop children's pensions promptly when they were no longer eligible to receive it; and
- processes were in place for applying, validating and reconciling the annual uplift to the pensioner's payroll.

The scope of the audit did not cover the process to calculate pension amounts.

Key Findings

The key findings identified in this audit include:

- a lack of a service level agreement between the NYPF and NYCC ESS that identifies the responsibilities and expectations of each party;
- there are a number of areas where the pension administration team make requests to ESS for actions to be made but there is no process to check whether these actions have taken place. As no reconciliation takes place a couple of occasions have been identified where the expected action has not happened due to clerical error. There is no periodic reconciliation between the NYPF Altair system and the NYCC ESS ResourceLink system;
- no checks are carried out to ensure people in receipt of dependant pensions over the age of 18 are still attending courses once the initial confirmation has been received. Reliance is placed upon a letter issued to parents once the dependent pension is paid to a child over 18

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which identifies their responsibilities to inform the NYPF if the child is no longer in full time education. However the pension is usually paid to the child who has not received the letter identifying their responsibilities;

- ESS will only suspend a pensioner record on ResourceLink once they have received a notification from the Tell Us Once website or have been provided with a copy of the death certificate impacting upon the subsequent recovery of any overpayment or the settling of the estate when there is an underpayment; and
- the NYPF or the pension administration team are not notified of outstanding invoices for the repayment of overpaid pension raised on their behalf by ESS.

Overall Conclusions

It was found that the arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Service Level Agreement

Issue/Control Weakness	Risk
No formal definition of responsibilities or service standards.	Financial and reputational risk to both NYCC and the NYPF.

Findings

A service level agreement between the NYPF and NYCC ESS for the provision of a pensioner's payroll service could not be provided by the Head of Pensions Administration. Without a document detailing the responsibilities and expectations of each party there is no means of redress should there be failures by either party and only limited ability to measure performance.

Agreed Action 1.1

1. To establish and agree a service level agreement with NYCC ESS
2. To schedule annual reviews of the agreement

Priority	2
Responsible Officer	Head of Pensions Administration
Timescale	31 March 2019

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2 Pensions Increase

Issue/Control Weakness	Risk
The process and procedures currently in place are not sufficiently robust to provide assurance that the pensions increase has been applied correctly and fully.	Financial loss to the NYPF or to the pensioner if the incorrect pensions increase is applied.

Findings

If a member has been in the Scheme between 6 April 1978 and 6 April 1988 and had been notified of a Guaranteed Minimum Pension (GMP) by HMRC, the pensions increase on the GMP amount is paid with their state pension. For membership since 6 April 1988 the NYPF has paid the pensions increase on the GMP. The NYPF pays pension increases to all eligible pensioners over 55 years of age, ill-health pensioners and those in receipt of spouse's and children's pensions. If a member retired during the year they receive a proportion of the pensions increase. Annually the NYPF receive pension increase multiplier tables from HM Treasury which they send to NYCC ESS for uploading onto ResourceLink against the appropriate pay elements.

The process of applying and checking the pensions increase on ResourceLink was reviewed and a number of issues were identified that could result in an incorrect pensions increase being applied and not detected. These included:

- there is no planning meeting between the NYPF pension administration team and NYCC ESS to discuss the process. There is no document or planning schedule specifying responsibilities and the expectations of each party, milestones or key target dates when various stages of the process have to be completed by;
- the NYPF prepared a procedure document for ESS to follow when applying the uplift on ResourceLink. ESS have since added to this document but NYPF pension administration have not reviewed these additions to ensure they do not compromise the process;
- the reports run by ESS identify those pensioners who have received a pension increase and the pay elements where the increase has been applied. What it does not provide is the full picture of a pensioner's pay identifying all pay elements including those where a pension increase has not been applied or where it is expected not to have been applied. Unfortunately the current version of ResourceLink is unable to provide such a report; and
- a 10% manual sample check of the reports is undertaken by the NYPF Team Leader however by using formulae 100% of entries on each report could be checked.

Limited testing was undertaken of the pension increase applied in April 2017. Evidence was seen that NYCC ESS had been provided with the correct pensions increase table for 2017 and that the NYPF Team Leader had undertaken a review of the information provided and agreed for the payroll to be run on that basis. However evidence was not provided to show that there had been an independent review and sign off of the update of the pay element tables on ResourceLink nor evidence that the process and update had been reviewed and signed off by the ESS Business Manager.

Agreed Action 2.1

1. A planning meeting was held this year and will be part of the standard process in future
2. The documentation will be reviewed and revised accordingly
3. It is not possible to utilise formulae to check the existing output. A revised output will be specified for development for future years to enable more robust checking
4. An electronic checklist will be created to evidence review and sign off by all parties
5. A subsequent audit of the data resulted in 30 members being identified as not receiving the correct increase in 2018 and in some cases previous years too.

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	31 March 2019

North Yorkshire County Council

3 Setting up new pensioner records on ResourceLink

Issue/Control Weakness	Risk
There is no periodic reconciliation between the NYPF Altair system and the NYCC ESS ResourceLink system. There is no reconciliation documentation on hand of new records created during any period.	Financial loss to the NYPF.

Findings

There is no reconciliation process between the NYPF Altair system and the NYCC ESS ResourceLink system for record management purposes. Nor is there a reconciliation of new pensioner records created or deleted on ResourceLink during any period. Where personnel and payroll are provided by different systems where there is no means of communication between either system best practice would dictate that a reconciliation should be undertaken regularly at the very least annually to highlight anomalies and prevent fraudulent records from being set up.

The pension administration team set up new pensioner records on ResourceLink entering detail taken from a key document; the NYPF Pensions Payroll Input Form. All new pensioner records must be supported by this document with amounts for the different pay elements taken from the pension calculation. Once input on ResourceLink an independent member of staff checks the detail. Most of the pension administration team are able to create a new record however only designated members of staff can review and check it. A sample was reviewed and all had been entered correctly onto ResourceLink with the NYPF Pensions Payroll Input Form annotated by the person inputting the detail and the person checking the input.

Agreed Action 3.1

1. A reconciliation project is scheduled to commence in 2018/2019
2. 6 monthly reconciliations will be scheduled

Priority	2
Responsible Officer	Head of Pensions Administration
Timescale	31 March 2019

4 Dependant pensions

Issue/Control Weakness	Risk
The present arrangements for monitoring the pensions of dependants are not sufficient to prevent overpayments from being made.	Financial loss to the NYPF.

Findings

Pensions are paid to dependants of deceased pensioners up to the age of 18 or up to the age of 23 if evidence has been provided that they are in full time education or on a training programme. Dependant pensions are monitored within the NYPF on a monthly basis by one designated member of staff, the NYPF Team Leader, using a spreadsheet The dependant pensioners named on this spreadsheet are not reconciled with records of dependant pensioners held on ResourceLink by ESS. There is no documented guidance that can be referred to by other members of the team should this member of staff be absent. By having one dedicated person with the knowledge base solely involved in the monitoring of these pensions is also a single point of failure.

A sample of dependant pensions which had ceased at some point during the financial year was reviewed, in all cases they were aged 18 and over. When a dependant is no longer eligible to the payment the NYPF Team Leader suspends the record on ResourceLink to prevent further payments from being made and updates the monitoring spreadsheet of the action taken. After two or three months if no evidence has been received to confirm ongoing eligibility the NYPF Team Leader sends an email to ESS requesting that the record be closed and again updates the monitoring spreadsheet accordingly of the action he has taken. During the course of the audit it was found that for one dependant pensioner the monitoring spreadsheet recorded that the suspend flag had been activated on ResourceLink to prevent further payments from being made, but the NYPF Team Leader had not done so and payments continued. An overpayment of £83 has been made which has not been recovered. This is a system weakness and currently there is no control in place which would highlight this to those undertaking the monitoring.

When a record is to be closed an email request is sent to ESS. There is no requirement for ESS to confirm that the record on ResourceLink has been closed to provide a full audit trail. ESS does not provide the pension administration team with a report identifying those dependant pensions in payment at any given time to enable a reconciliation to the monitoring spreadsheet to be undertaken.

Agreed Action 4.1

1. A monthly report is now provided by ESS to enable reconciliation
2. A process map and working instructions have been created
3. Another member of the team will be trained and undertake the work with the team leader undertaking the checking
4. ESS will be required to respond to the email requests

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	31 August 2018

5 Dependant pensions

Issue/Control Weakness	Risk
There is no process in place to confirm on-going eligibility to the pension.	Financial loss to the NYPF.

Findings

Under current procedures there is no periodic/annual review to confirm on-going eligibility to the pension once a young person aged 18 and over has started their course. Once confirmation has been received that the child is attending a university course, training course or an apprenticeship there is no procedure for follow up to ensure they are still attending the education establishment and the course. Some of these courses can last for four or five years particularly if it they are masters degree and/or sandwich courses.

The letter sent out to confirm eligibility once the child/young person has reached the age of 18 now contains the statement "It's is your responsibility to inform us immediately if there are any changes in circumstance that would render the child ineligible for the pension, e.g. leaving the course, studying/training on a part-time basis." This has been included as a means of deterring fraud and clarifying the responsibilities of pension recipients. This letter is only sent to the parent however once the child/young person reaches the age of 18 they generally receive the pension themselves and as such also become legally responsible. They also have a responsibility for informing the NYPF when they are no longer eligible and as such the child/young person should also be included in the circulation of the letter. As there is no follow up with the university to confirm that the individual has stayed for the duration of the course it is important that the individual themselves is aware of their responsibilities.

Agreed Action 5.1

1. Process amended to ensure annual review is undertaken each November
2. Confirmation of continuation of education is requested annually

Priority	2
Responsible Officer	Head of Pensions Administration
Timescale	30 November 2018

6 Processing deceased pensioner records

Issue/Control Weakness	Risk
Delays in forwarding information to ESS can result in pension overpayments being made that may not always be recovered.	Financial loss to the NYPF.

Findings

ESS end the payroll record on ResourceLink for all deceased pensioners and arrange for the recovery of any overpaid pension. A notification of death can be received by ESS or by the pension administration team although the majority are received by the pension administration team. Depending when information is received from the pension administration team, the date of death and the pay cycle being processed determines what action is taken by ESS. As such it is important that the pension administration team forward information to ESS promptly once it has been received. Three of the sample of ten reviewed had not been forwarded promptly resulting in two overpayments being made.

In one case the delay resulted in a cost to the NYPF of £47.23. The pensioner died on 23 October 2017 with the pensions administration team informed the same day, ESS was not advised until 31 October 2017. The full pension payment of £146.41 for October was paid resulting in an overpayment of £47.23, as the overpayment was less than £100 current procedures do not allow for it to be recovered.

Agreed Action 6.1

1. Procedures changed to ensure one of first actions is to suspend pensioners on Resourcelink
2. Procedures changed to ensure one of first actions is to notify ESS

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	31 May 2018

7 Processing deceased pensioner records

Issue/Control Weakness	Risk
If deceased pensioner records are not ended promptly on ResourceLink there is a greater likelihood that any overpayment will not be recovered.	Financial loss to the NYPF.

Findings

With the exception of notifications from the Tell Us Once (TUO) website ESS will not end a record on ResourceLink until they have received a copy of the death certificate even when they have been advised of the death by the NYPF. The record would be suspended until ESS has been provided with a copy of the death certificate and only at this point is the record ended and either recovery action is taken or a further payment made to bring the account up to date. By doing so this delays the ending of the record and the subsequent recovery of any overpayment or the settling of the estate when there is an underpayment.

A spreadsheet is maintained and updated in ESS of all suspended records that is sent to the pension administration team on a monthly basis. The majority of these records relate to deceased pensioners where ESS is waiting for a copy of the death certificate. Twenty two are over six months old with a number several years old, one in particular dating back to 2003. It cannot be identified from the spreadsheet for these particular cases whether an under or over payment has been made or the values involved. A further twenty six records date from September 2017 the majority of which had been overpaid. Delays in ending the record impact upon the ability to recover the overpayment. A process needs to be established where ESS will end a record based upon the request and information provided by the pension administration team.

Agreed Action 7.1

1. Monthly auditing continues and numbers have reduced significantly
2. Process to be agreed between ESS & Pensions to end records without sight of the death certificate

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	31 March 2019

8 Processing deceased pensioner records - ResourceLink record 3700280337

Issue/Control Weakness	Risk
A failure in process resulting in an invoice not being raised.	Financial loss to the NYPF.

Findings

The pension administration team was informed of the death through the TUO website on 25 August 2017 but did not inform ESS until 1 September 2017. This pension is paid in advance on the 6th of the month and so for August an overpayment of £71.00 had already been made. On 1 September 2017 the Business Support Administrator in ESS responsible for processing deceased pensioner records added details of the September payment due to be paid on 6 September to the BACS recall spreadsheet. This was not acted upon and so a further overpayment of £183.41 was made. A debtor's invoice for the £254.41 overpayment was prepared by the Business Support Administrator but had not been sent via Lagan to another member of the payroll team and so an invoice was not raised. This was only identified at the time of the audit and an invoice was subsequently raised on 23 January which has since been paid. There is no process of reconciliation to highlight actions that should have been taken ie actioning a BACS recall request and the raising of an invoice have actually been done.

Agreed Action 8.1

This process was moved from Business Support to ESS in June 2017. Due to staffing changes there was a high volume of outstanding entries. This process is now up to date. Entries are logged in Lagan and reviewed on a regular basis.

Priority	3
Responsible Officer	
Timescale	Completed

9 Recovery of debt from the overpayment of pensions

Issue/Control Weakness	Risk
The NYPF is unaware of those debts that remain outstanding.	Financial loss to the NYPF.

Findings

All payroll records sampled appeared to have been processed and closed without any undue delay, within a month of being advised of the death by the pension administration team. Of the sample of ten reviewed three invoices were raised for the overpayment of pension and two of these had been paid. The third invoice raised on 26 October 2017 for £116.02 was only settled on 13 March 2018. The NYPF would be unaware of outstanding invoices for the repayment of overpaid pension as they are raised by ESS under their portfolio of invoice numbers which start with 44, those raised by the NYPF start with 40. Additionally outstanding debt reports are not produced for service areas or budget holders unless a request is made for specific information. As part of the audit the Credit Control Manager was asked to provide detail of outstanding invoices and this identified that there were five outstanding invoices for the overpayment of pension totalling £4,925.95, of which £4,161.41 relates to one invoice 440001455 that has remained outstanding since 2 May 2016. The NYPF should consider the benefit of requesting such information on a periodic basis.

Agreed Action 9.1

1. The one for £4,161.41 is an ongoing case where credit control have failed to recover the overpayment. This case is now being dealt with via the Internal Disputes Resolution Procedure.
2. Any individual pension overpayment debt outstanding of greater than £2,500.00 for more than 6 months should be notified to the Head of Pensions Administration.

Priority	3
Responsible Officer	Head of Pensions Administration
Timescale	31 March 2019

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
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Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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Appendix 2

Pensions Fund Audit Plan 2018/19

	Days
Pension Fund Investments	**15**
This will be an audit looking back at fund investments during 2017/18, and will examine the assurances obtained to ensure fund managers have invested funds in line with investment policy, and that appropriate safeguards are in place to manage and protect the funds invested.	
Pension Fund Income	**15**
The audit will review the processes in place for the collection of income from member organisations and the information provided to enable the calculation of benefits under the various schemes. This will include a follow up of previous years audit work on the quality of data provided by scheme employers	
Pension Fund Expenditure	**15**
The audit will review the processes for paying pensions, in particular reviewing the procedures in place for the annual pensions increase process.	
Provision to provide support and advice on Pension Fund related audit matters and attendance at Pensions Board	**5**
Total – North Yorkshire Pension Fund	**50**