



North Yorkshire Pension Fund - Expenditure

North Yorkshire Council

Internal Audit Report

Business Unit: North Yorkshire Pension Fund
Responsible Officer: Corporate Director Strategic Resources
Service Manager: Head of Pension Administration
Date Issued: 10th October 2023
Status: Final
Reference: C1040/001

	P1	P2	P3
Actions	0	0	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Local Government Pension Scheme (LGPS) is a statutory scheme for local authority employees, operated under the Local Government Pension Scheme Regulations issued by the Central Government Department for Levelling Up, Housing and Communities. The Scheme is administered on a local basis and the 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 (NYPF) pensioner payments have been made directly from the Altair LGPS platform since April 2021. Enhancements to the system were made on 31st December 2022.

Objectives and Scope of the Audit

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

- Suitable processes are in place to ensure changes to pensioner payments are completed accurately and in a timely manner with appropriate authorisation.
- Processes for ending pensions promptly and recovering any overpayments are appropriate.
- Processes for ensuring payments continue correctly following the enhancements to the pension system.

Key Findings

Before April 2021, any recalculations to the pensioners payments due to annual increases or changes in circumstances, would be made on ResourceLink resulting in Altair not matching the correct payment amounts. Now, any changes that need to be made are done directly into Altair and paid out of the same system. The Altair system has an automated recalculating tool which is used to complete most recalculations, with some manual calculations needed to be completed for more complex issues. Each recalculation is carried out on the 'Test' version of Altair to ensure that no changes are implemented prior to being reviewed. Once approved the changes are processed into the live Altair system.

A sample of 10 recalculations were reviewed between December 2022 and July 2023, covering a variation of annual increases and unaccounted for backpay. We saw evidence all had been tested on the test version of Altair, with only one of the sample needing a further manual recalculation due to the complex nature of the case. For all of the sample tested, the process was documented on the live Altair system and processed correctly from the test system.

When any potentially permanent changes have been raised to the pensions team, ranging from bounced back payments to notifications of potential deaths, accounts are temporarily suspended to ensure no further payments are made until the relevant documents and forms are completed. A Senior Pension Administration Officer keeps a monthly spreadsheet of all accounts suspended to keep track of their progress. No calculations are carried out until all the relevant documents are received. A sample of 10 suspended accounts were reviewed from the active list provided in June 2023, with all but one account suspended within a week of receiving the raised issue. Of the 10 sampled suspended accounts, half had still not been resolved at the time of the audit fieldwork, with two of the sampled accounts ongoing since 2021, however ongoing regular steps were being taken to communicate with the client and obtain further information and documents either from the client directly or through other providers such as Department for Work & Pensions (DWP) and other Council departments. These actions had been recorded on Altair. For the two accounts which had been outstanding since 2021, the Senior Pension Administration Officer advised that both had been identified as non-death related cases.

Currently, the pensions team only use a limited number of departments within the Council to obtain further information such as the registrars. With the recent Local Government Reorganisation in April 2023, there are potentially other departments within the local authority that they could work with to resolve any issues raised regarding pensioners, such as the revenues and benefits, social care and council tax teams, however the pensions team would need to consider any potential data sharing and GDPR implications.

One of the main reasons to end a pension is the death of a pensioner. For a pension to be ended, relevant documents need to be provided, with a possible underpayment or overpayment occurring. Similar to changes to pensions, accounts are required to be suspended and investigated. A sample of 9 pensions were reviewed between December 2022 and July 2023 and all accounts were suspended in a timely manner and after the death certificate was provided. 5 of the accounts resulted in an overpayment and 4 in underpayments. The pension fund committee agreed any overpayments within the £100 tolerance level were not to be recovered so only one account needed recovery action with an invoice and relevant form sent and all steps documented on Altair.

As North Yorkshire Council's debtors team are responsible for all recovery of unpaid funds to the Pension Fund, the Altair system does not record whether that money has been recovered. Of the £95k outstanding at the time of the audit, £89k was related to invoices raised between February and April 2023 and the largest of those outstanding payments (£60k) was paid off in June 2023. No write offs were completed during the 2022/23 financial year. The Head of Pensions explained to us they are not aware of the debt levels which are still outstanding or if write offs are to be conducted.

Another reason why pensions accounts may be changed or ended is related to in-service deaths. If someone dies whilst still an employee their pension requires reviewing and amendments need to be made if any next of kin are awarded part of the pension they have paid into. A sample of five in-service deaths were reviewed; all accounts had an SU5 form signed by their line manager and death certificate received. Both documents were recorded as received on the Altair system before the amendments were made.

Altair requires enhancements to the system and to ensure that pensioner payments are not affected, the pensions team request the testing and revision of all pensions to ensure that the enhancements to the system have been processed accurately and not impacted on the payments of pensions. For the enhancement in December 2022, the tests were carried out by the systems analysts at North Yorkshire

Council, with a report that was produced, authorised and presented indicating there were no issues with the enhancements. Discussions with the North Yorkshire systems analysts advised that the 'script' which they used to test the system is basic and generic and does not provide the analysts with specific tests that they are asked to carry out, although this does not affect the enhancement tests, they could carry out further tests on the system.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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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