

INTERNAL AUDIT REPORT

NYPF INCOME

NORTH YORKSHIRE PENSION FUND

	Critical	Significant	Moderate	Opportunity
Findings	0	0	0	1
Overall audit opinion	Substantial assurance			

Status: Final

Date Issued: 11 November 2024

Responsible Officer: Head of Pension
Administration

OFFICIAL - SENSITIVE

INTRODUCTION

The North Yorkshire Pension Fund (the Fund) is one of 90 funds that make up the Local Government Pension Scheme (LGPS). North Yorkshire Council (NYC) is the statutory administering authority for the NYPF and it administers the benefits and invests the assets of the Fund. The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the North Yorkshire area. As of October 2024, there are currently 232 employers paying into the LGPS.

As of 31st March 2023, there were 30,638 active contributing members, 39,873 deferred members and 30,363 pensioners (including spouse and dependant members), making a total membership of 100,874. Employee and employer contributions for the 2022/23 financial year came to £141m, with transfers in of £20.3m, meaning the total receipts was £161.3m.

The NYPF is currently rolling out an online returns system, I-Connect, to enable employers to make monthly returns electronically and ensuring that the NYPF's data is updated more regularly than once a year as per the previous system. As of August 2024, 72% of employers (including NYC, City of York Council and the North Yorkshire Police Force who are the three largest employers in the fund) were enrolled on the system, with the aim of completing the onboarding process by the end of March 2025.

The Pensions Regulator (TPR) brought in a new General Code of Practice, effective in England as of 28 March 2024, consolidating and modernising the 10 codes previously in effect. The code establishes expectations for public and private pension schemes, including schemes like the LGPS, for the following sections:

- ▲ The governing body
- ▲ Funding & Investments
- ▲ Administration
- ▲ Communications and disclosure
- ▲ Reporting to TPR.

It is the responsibility of pension schemes to establish where the code applies to them and how they will update their practices to ensure compliance.

OBJECTIVES AND SCOPE

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

- ▲ Action has been taken to ensure the fund is compliant with the new TPR General Code of Practice.
- ▲ Policies are in place for reporting breaches internally to the Pension Board and externally to TPR.
- ▲ The i-Connect roll-out is being monitored and an action plan is in place to meet the end of March 2025 deadline.
- ▲ Business Support is properly resourced to ensure continuity of administrative support.

KEY FINDINGS

Our work confirmed that action is currently being taken to ensure the Fund complies with the new TPR General Code of Practice. A self-assessment tool has been purchased from the Fund's actuary and investment advisor in order to help align the Fund's policies and procedures with the requirements of the TPR General code of practice. Additionally, the self-assessment provides assurance in the areas that are now compliant, as well as identifying those areas that still need to be addressed. A baseline report on the Fund's current level of compliance was presented at the Pension Fund Committee meeting in September 2024, which confirmed that the required compliance actions have been assigned to responsible officers, and that progress reports will be presented at each committee meeting going forward. The monthly reports will detail how each area recommended for improvement in the baseline report has been updated, using a RAG rating to demonstrate progress.

The Fund's Breaches Policy (last updated April 2024) provides comprehensive information and guidance regarding the roles and responsibilities of officers involved in dealing with a breach. The policy details the process for escalating and monitoring internal breaches and notifying the Local Pensions Board, and for reporting externally to the Pensions Regulator. It also defines what constitutes a breach in order to ensure consistency when deciding if the threshold for reporting a breach has been met.

Officers have been working closely with all fund employers to help support on-boarding of the organisation to the i-Connect system. All have been contacted and provided with clear and comprehensive guidance to assist them in this process. Progress is monitored, and as at 31 October 2024, 43 of 232 employers are still to start using the system.

It is anticipated that a small minority of employers may not be on-boarded by 31 March 2025 and the reason for this (the incompatibility of some employee payroll systems with i-Connect) is outside of the Funds control. Officers are aware of these instances and are providing ongoing support and advice to the employers in question. The Development and Processes Team has limited capacity to assist employers with the onboarding process and so takes an incremental approach by liaising with a limited number of employees at any one time, which impacts on the timescales for ensuring all employers achieve the required deadline. Establishing firmer commitments from employers to meet the Fund's deadline for onboarding to the i-Connect system by the 31 March 2025 could enable the Fund to continue developing its systems on schedule.

We confirmed that key business support functions for the monitoring of employers' contributions, processing early retirement strains on the Fund, and transfers into the Fund are carried out accurately and to schedule. A Senior Business Support officer undertakes the majority of these tasks and is in the process of producing procedural notes for other support officers to refer to in the event that the Senior Support Officer was absent from work. Although we did not observe any instances where this single point of reliance had an impact on business operations, management may wish to ensure that the business support function increases its resilience by upskilling other business support staff to undertake tasks that are currently performed solely by the senior business support officer.

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.

1 Business Support resilience

Opportunity

Area for potential improvement

The Business Support function continues to have a heavy reliance on a single officer.

What is the opportunity?

The Fund has an opportunity to upskill employees in a key business function and ensure greater resilience for its key operations.

Findings

The Fund does not directly employ officers in the Business Support function – they are allocated to the Fund by North Yorkshire Council. The Senior Business Support Officer carries out the majority of Business Support functions and is relied upon to help deal with issues when they arise. The Business Support function does not produce sufficient work for two officers on a daily basis so this is unavoidable to a certain extent, but it does mean the Fund continues to depend on a single point of reliance and other officers do not have sufficient opportunity to gain experience in performing essential business operations to fully cover for or replace the Senior Business Support Officer's role.

The Senior Business Support Officer provided draft procedural notes for key administration operations such as completing the contributions worksheet, processing early retirements, conducting bank and cash reconciliations, completing income journals and cashflow spreadsheets. The intention is for these procedural documents to be completed and approved by the end of March 2025. These are, however, already being used by junior Business Support staff and are currently in the process of being tested and amended to ensure accuracy. Providing other business support staff with the opportunity to be involved in the functions currently only undertaken by the Senior Business Support Officer may help to build additional Pension fund related resilience into the business support function.

Agreed action: To work with Business Support Colleagues and Management to utilise the procedural document process as an avenue to ensure greater resilience in this area. To further explore potential task rationalisation and resilience opportunities that exist in this arena as a consequence of the i-Connect rollout.

Responsible officer: Senior Fund Accountant

Timescale: 30 June 2025

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 four grades of opinion, as set out below.

Opinion	Assessment of internal control
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.

Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

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