



Pension Fund Expenditure

North Yorkshire County Council

Internal Audit Report 2020/21

Business Unit: Central Services
Responsible Officer: Head of Pensions Administration
Date Issued: 7 June 2021
Status: Final
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	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 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.

North Yorkshire County Council Employment Support Service (NYCC ESS) provides the payroll function to the North Yorkshire Pension Fund (NYPF) through ResourceLink. A project is underway to review the process for making pension payments. This will see the payroll function move to an integrated payroll module within the existing administration software, Altair. Payroll will still be run by ESS.

Member pensions are calculated through a combination 3 different benefit types:

- Members pensions are paid as a career average for membership in the scheme from 1 April 2014
- Members receive 1/60th of their final pay (with no automatic tax-free lump sum, but with an option to exchange some of the pension as a tax-free lump sum) for membership in the scheme between 1 April 2008 and 31 March 2014
- Members receive 1/80th of their final pay (alongside an automatic tax-free lump sum of 3 times their pension) for membership in scheme before 1 April 2008

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 pension calculations:

- Are based on correct and accurate information
- Are processed in Altair in an accurate and timely manner
- Receive appropriate and timely review and authorisation

Key Findings

We reviewed a sample of pension calculations covering a range of payments, including payments due to retirements, refunds, transfers and death grants. All pension calculations require a SU5 leaver's form that includes details of the member's contributions and final pensionable pay. Depending on the reason payment is required to be made, specific additional information is required. Refunds require an options form completed by the member including the refund claim acceptance and previous pension rights. Transfers require an election to transfer form to be completed by the member. Death grants require a Tell Us Once death notification and application for payment of

death benefits to be received by NYPF. All pension calculations tested were based on correct and accurate information relevant to the type of payment required to be made. For all pension calculations reviewed the information was provided accurately and received appropriate authorisation.

All pension calculations in the sample we reviewed were processed in Altair in an accurate and timely manner. A pension calculation quote and actual pension calculation is required to be processed through Altair. Where there were different amount between the calculation quote and actual calculation, this was due to the time between the two calculations, and therefore the interest was applied accurately. For each type of payment, specific additional information is required to be inputted in to and processed out of Altair. In the sample of pension calculations due to the member transferring to another pension scheme that were reviewed, in two cases there no transfer quote recorded in Altair, only the actual calculation was recorded. All pension calculations should have a quote and actual calculation to ensure the calculation is accurate. Prior to a payment being made, a letter is sent to the member (or recipient of the death grant) detailing the amount and date payment will be made.

To ensure pension calculations are processed in a timely manner the process must be effectively managed. There is a requirement for information to be received and processed from the member, the member's employers and internally within NYPF. A soft deadline is in place for members to select options within 6 weeks and firm deadline of 3 months, the process is then re-started at a cost to the member. Member's employers are requested to provide information within 2 weeks of a SU5 leaver's form being processed by NYPF. NYPF administration officers input documents into the Altair work stream to ensure pension calculations are processed accurately. From the sample of pension calculations processed all were processed in a timely manner and where information was required to be chased, it was completed appropriately.

All pension calculations are subject to an internal review and authorisation process. Calculations are processed automatically through Altair. Therefore the calculation is reliant on the accurate collation and input of data. All information that is collated and processed in Altair is reviewed and authorised. There is a separation of duties between originator and the input of the calculation into Altair. There is also an independent review and authorisation of the members address, bank details and amount due to be paid. Pension calculations also include a review of the members (or recipient of the death grant) ID documentation to ensure it is paid to the correct individual. From the sample of pension calculations in our sample, all were reviewed and appropriately authorised, with separation of duties between the reviewer and authoriser also evidenced. There is a further review and authorisation of each payment run also performed by the Head of Pensions Administration.

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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