



## **Internal Audit Highlight Report**

**Pensions Admin**

**Date: March 2018**

## What we do best .....

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

## .... and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

**Auditors with the knowledge and expertise to get the job done**

Already working extensively with the not-for profit and third sector

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## Contents

	Page
<b>Background and Scope</b>	1
<b>Executive Summary</b> Key Messages	2
<b>Appendix</b> Appendix 1: Disclaimers	4

## Distribution List

**Pete Moore – Director of Finance and Public Protection**

**David Forbes – County Finance Officer**

**Jo Ray – Pension Fund Manager**



## Background & Context

As part of the Future Delivery of Support Services programme in 2015, Pension Administration duties were removed from the main support services contract. Pension Administration was moved from Mouchel to West Yorkshire Pension Fund early in 2015. They have operated Lincolnshire County Council's Pension Administration since this time.

Assurance over the adequacy of Pension Administration arrangements helps to inform the Head of Internal Audit's annual opinion of the Council's control environment. As such we periodically audit this area of work.

West Yorkshire Pension Fund has engaged an Internal Audit service – this is provided by Bradford Metropolitan District Council (MDC) who have delivered a 185 day plan for the past few years. This will increase to 270 days in 2018/19.

In order to maximise efficiencies and avoid duplication we have sought to take assurance on relevant work conducted by Bradford MDC.

Assurance over this area – as per the assurance map December 2017 is Green – No issues.

## Scope

To place assurance on the outcomes of the audits of West Yorkshire Pension Fund we wanted to understand and assess Bradford MDC's:

- Approach to audits and coverage
- Sampling approach
- Review and quality assurance processes

We also planned to review recent audit reports and assess assurance outcomes.

## Key Messages



We met with Paul Wood – Audit Manager at Bradford Metropolitan District Council (MDC). He leads delivery of the West Yorkshire Pension Fund (WYPF) audit plan. Through discussion we reviewed assurance over the key areas.

### Approach to audits and coverage

The team maintains a 5 year cyclical audit plan which has set audit frequencies for all areas of pension administration. We reviewed this and found it to contain all expected areas for review. In more detail we assessed the risks, controls and testing schedule applied to each audit and again we found this to include all the elements we would expect. The 2017/18 plan and earlier years provide 185 days audit, including pension investment. The 2018/19 plan has been increased to 270 days to incorporate other audits such as General Data Protection Regulations and Transfer of Data. This further increases our assurance as audit coverage will now include the wider risks facing WYPF.

### Sampling approach

The audit team use a proportionate approach to sampling based on number of members per organisation. This approach means that Lincolnshire County Council members / transactions equates to 30-35% of the sample. Our assurance is also enhanced by the fact that the same process is applied to all members so effectiveness of control application can be drawn from the whole sample.

### Review and quality assurance processes

We confirmed that Bradford MDC aims to conform to the Public Sector Internal Audit Standards (PSIAS). The audit team has a quality assurance framework which includes supervisory review of all audits before they are released to the client. Bradford MDC has also recently had an External Quality Assessment against the PSIAS. At the time of our visit they were still awaiting the report, but initial feedback was positive.

### Pension Administration Audits

We reviewed the outcomes of the pension administration audits for 2016/17 and 2017/18. They are:

- Annual Benefit statements      Audit Opinion - Excellent
- Death Benefits                      Audit Opinion - Excellent

# Highlight Report – Background & Scope

## Key Messages



- LGS Contributions                      Audit Opinion - Good
- Transfers In                              Audit Opinion - Good
- Transfers Out                            Audit Opinion – Effective

There are a further two audits currently in progress:

- New Pensions and Lump Sums – Deferred Pensions
- Reimbursement

Completed audits are reported to the WYPF Governance and Audit Committee, and the Pension Boards. Agreed actions are tracked and the Audit Manager confirmed that all have been implemented within agreed timescales.

During our discussions with the Audit Manager we highlighted some of the issues that we have encountered around the deduction of pension contributions from LGPS members and the reporting to WYPF that have been identified from our payroll audit work. Bradford MDC have audits on contributions and benefit statements planned for 2018/19.

### Conclusions

Following our visit we have assessed that we are able to place assurance on the robust nature of the audits completed by Bradford MDC on the WYPF. We are pleased to see that the audits themselves have positive assurance levels to date and that actions are implemented promptly. We are happy to place reliance on this assurance over Pension Administration and plan to maintain our new relationship with Bradford MDC. We will share future information and assurances to help support one another's audit work.

## Appendix 1: Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

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