



**Internal Audit Highlight Report**  
**LCC Pensions Administration 22/23**  
**Date: June 2023**

## 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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## Distribution List

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## 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 to West Yorkshire Pension Fund (WYPF) early in 2015 and they have operated LCC'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.

WYPF has engaged an Internal Audit service - this is provided by Bradford Metropolitan District Council (MDC) who deliver an annual audit plan, this was 105 days in 2022/23.

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

The Combined Assurance Status Report 2022/23 which was considered by the Audit Committee on 6th February 2023 confirmed that the pensions function remains very well run.

## Scope

To review the 2022/23 audit reports and assess assurance outcomes.

# Highlight Report – Executive Summary

## Key Messages



The Assistant Audit Manager at Bradford confirmed there had been no changes to their processes in the following key areas:

- Approach to audits and coverage
- Sampling approach
- Review and quality assurance process before draft report issued.
- High priority recommendations are tracked to ensure they are fully implemented

Staff are still able to work from home but this has not presented any problems for the audit team, and face to face meetings are held as and when required.

### Pension Administration Audits

We reviewed the assurance outcomes of the pension administration audits for the end of 2021/22 and for 2022/23 that impact on the Lincolnshire Pension Fund. They are:

- LGPS New Pensions and Lump Sums - Deferred Benefits = **Good**
- Reimbursement of Agency Payments = **Excellent**
- Additional Voluntary Contributions Arrangements = **Good**
- Fire Service New Pensions & Lump Sums - Normal and Early Retirements = **Good**
- Annual Benefit Statements = **Excellent**
- Shared Service Partner Admission (from 2021/22) = **Good**

Completed audits are reported to the WYPF Governance and Audit Committee and the Pension Boards.

## Highlight Report – Executive Summary

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### Key Messages



#### **LGPS New Pensions and Lump Sums**

This sampled 30 deferred members, including from Lincolnshire Pension Fund. All but one of the eleven risks had effective controls, with the risk that deferred members are not identified when they reach their normal pension age/date being mostly effective. One high priority recommendation was made relating to the system/coding used to identify all Members that are approaching their Normal Retirement Date if they have previously received a quote. Further investigation found that this could affect a total of 143 cases for WYPF and Lincolnshire Pension Fund. It was agreed to meet with ICT and ensure reporting was accurate going forward.

#### **Reimbursement of agency payments**

Eight risks were identified for the work that WYPF carry out on behalf of outside bodies in accordance with agreements. Following the review all risks identified had effective controls with no recommendations made.

#### **Additional Voluntary Contributions (AVCs) Arrangements**

WYPF provide an AVC scheme for its members, with these being paid directly to the provider by employers. Six risks were identified and following testing two were assessed as having an effective control environment with four having a mostly effective control environment. There were two high priority findings - one did not affect members of the Lincolnshire Pension Fund, and the other has been completed with current agreements with AVC providers now being supplied to Internal Audit. Two further low priority findings were identified and have been implemented.

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## Fire Service New Pensions & Lump Sums

WYPF provide pension administration for twenty one Fire and Rescue Authorities, including Lincolnshire. A review of Fire Service New Pensions & Lump Sums - Normal and Early Retirements was completed. Six risks were identified including that WYPF are not supplied with official and authorised documentation when a member retires. The control environment was classed as effective for all but one risk. This was relating to incorrect lump sum, first and subsequent pension payments are made which was classified as mostly effective. One low priority action was made and agreed relating to Member's records, affected by the McCloud judgement, that they should be retained with all other Member records to ensure there is a full audit trail.

## Annual Benefit Statement

Internal Audit reviewed the issue of the Annual Benefit Statements and details contained within them. They found an effective control environment for the eight risks identified with no recommendations made.

## Shared Service Partnership Admission

This was included in the 2021/22 Internal Audit plan. The audit reviewed the processes and procedures with regard to WYPF growth of its shared service provision. Eleven risks were identified with five having an effective control environment. The remaining risks had a mostly effective control environment. There were two high priority findings identified that related to the Lincolnshire Pension Fund. These related to the lack of a business case or growth strategy to support bids for further work, and issues were identified following the pace at which WYPF had grown. This included recruitment of staff (increasing day to day pressures on existing staff), different levels of service given to each partner and differences in the computer systems between LGPS partners and Fire Authorities. There was also

## Highlight Report – Executive Summary

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a low priority finding relating to fire client meeting minutes not accurately recording discussion at meetings.

### Conclusions

Following our contact with the WYPF audit provider we can continue to place assurance on the robust nature of the audits completed by Bradford MDC. We are pleased that the audits continue to have positive assurance levels to date and that actions are implemented. We are happy to place reliance on this assurance over Pension Administration and plan to maintain our relationship with Bradford MDC. We will share future information and assurance to help support each other's audit work.



## Appendix 1: Disclaimer

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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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