

## **Report of the Director, West Yorkshire Pension Fund, to the meeting of the WYPF Local Pension Board to be held on 17 October 2018.**

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### **Subject:**

West Yorkshire Pension Fund – five year internal audit plan 2018/19 to 2022/23

### **Summary statement:**

This report presents the latest five year internal audit plan for West Yorkshire Pension Fund (WYPF). The plan is reviewed annually between WYPF finance team and CBMDC internal audit by carrying out a detailed assessment of WYPF business risks, pensions and investment regulatory compliance environments, and service developments.

The latest plan delivers a planned increase in internal audit resource to cover increase operational activities from shared services and investment pooling activities in Northern Pool. We have worked with CBMDC internal audit to secure additional audit resources.

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Director WYPF

**Portfolio:**

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**Overview & Scrutiny Area:**

## **1 SUMMARY**

- 1.1 We held our annual internal audit planning meeting with CBMDC internal audit in January 2018 and reviewed a number of key service areas in terms of business and operation risks, with specific focus on new statutory requirements and enforced changes as a result of government agenda for pooling. Our primary aim is to refocus internal audit activities and use this to manage inherent and new emerging risks, as well as to use CBMDC internal audit to deliver service improvements, increase efficiency and remove wastage. We delivered on our action plan to set a minimum number of audit reviews and increased the frequency of reviews for high profile areas of our operations. All internal audit recommendations in 2017/18 have been delivered within agreed timescales.
- 1.2 In addition to the five year plan we also produce a detailed resource plan for the financial year 2018/19 allowing CBMDC internal audit and WYPF service managers to deliver all internal audit reviews planned in the year. To conclude the audit each year we review internal audit recommendations, this provides key governance information on risk management and control.

Key information provided in this report are:

- a) WYPF Five year internal audit plan 2018/19 to 2022/23
- b) List of internal audits completed during 2017/18

## **2 BACKGROUND**

### **WYPF Annual Internal audit plan 2018/19**

- 2.1 Our joint plan with CBMDC internal audit for 2018/19 is to deliver a total of eight internal audit reviews. In addition, hold monthly risk management review meetings and engagements with Internal Audit managers to ensure emerging risks are captured within audit reviews and activities.
- 2.2 Our service target is to improve on internal audit opinions and recommendations, by working with CBMDC internal audit, to review, strengthen controls and anticipate key service operational and regulatory changes. In order to deliver the 2018/19 annual plans finance officers are working with managers to look at previous recommendations to ensure current improved controls are still effective and where any control is identified as not working managers and finance officers work with CBMDC internal audit to design and implement improved controls.



West Yorkshire Pension Fund Five Year Audit Plan 2018 - 2024	Last Audit	Recommendations	Days	18/19	19/20	20/21	21/22	22/23	Tot
<b>One Off Audits</b>									
Transfer of Data to Pensions System	Jul12	0							
Monthly Contribution Data Usage	Aug15	6							
General WYPF ICT			15			□		✓	1
			<b>Total</b>						
			<b>Days</b>	<b>145</b>	<b>150</b>	<b>155</b>	<b>155</b>	<b>165</b>	<b>770</b>

### 2.3 List of internal audits completed during 2017/18

Listed below is a summary of reviews that were carried out during the financial year 2017/18.

a) Transfers Out

This was an audit of the risks to the process where individuals cease to be employed by an admitted body of the West Yorkshire Pension Fund and transfer their pension benefits into a new scheme. The control environment was found to be of an effective standard with no recommendations arising from the work carried out.

b) Reimbursement of Agency Payments

This audit examined the reimbursement of payments made in respect of the administration service provided by the WYPF for Lincolnshire Pension Fund and the payment of West Yorkshire, North Yorkshire, Humberside, South Yorkshire, Lincolnshire, Royal Berkshire and Buckinghamshire and Milton Keynes Fire Officers pensions and also for payment of Teachers Gratuities for Bradford MDC. The work identified that the services provided were not being supported by an appropriate agreement due to a delay in finalising the agreement and therefore a recommendation for improvement was made and accepted.

c) AVC Arrangements

Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with two providers, Scottish Widows or Prudential. The standard of control around these arrangements was found to be effective with no issues identified.

d) New Pensions and Lump Sums – Deferred Pensions

This audit examined the calculation of the deferred pension benefits for those members who have left the employment of a scheme employer. The control environment for this process was found to be fully effective with no issues identified.

e) Review of the West Yorkshire Pension Fund 2016/17 Accounts

This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.

- f) Verification of Assets  
This audit ensures that the assets held by the West Yorkshire Pension Fund are as expected. The standard of control in place to achieve this was found to be excellent.
- g) UK Fixed and Index Linked Public and Corporate Bonds  
Control of this investment asset class was found to be effective with no issues identified.
- h) Stock Lending  
Stock lending of UK and Foreign equities is undertaken by HSBC Bank as part of the custodial arrangements for the West Yorkshire Pension Fund. Controls were examined to ensure that the risks in this process were appropriately managed, these were found to be mostly effective with one recommendation for improvement made.
- i) Equities  
These investments are held under the custody of the HSBC, and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the audit review found the process to be well controlled.
- j) Treasury Management  
This audit reviewed the arrangements in place for treasury management, to ensure that surplus cash is invested in the most appropriate ways. Controls in this area were found to be mostly effective with one recommendation for improvement.
- k) UK Property Unit Trusts  
Approximately 4.2% of the West Yorkshire Pension Fund investment portfolio is held in property unit trusts. The control environment surrounding the UK Property Unit Trusts was deemed to be effective with no issues identified in the process.

### **3 OTHER CONSIDERATIONS**

- 3.1 Internal audit is an integral part of our risk management and financial control systems.

### **4 FINANCIAL & RESOURCE APPRAISAL**

- 4.1 There are no other financial implications from this report. Operations reported in this report are key to our financial controls, asset safeguards and value for money.

### **5 RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1 Internal audit is a key element of financial risk management and governance tools and

provides evidence of key controls in operation during the financial year.

## **6 LEGAL APPRAISAL**

6.1 There are legal implications for this report.

## **7 OTHER IMPLICATIONS**

None

## **8 RECOMMENDATION**

- That this report is noted.

## **9 APPENDICES**

None