

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 14 September 2021.

G

Subject:

West Yorkshire Pension Fund five-year internal audit plan 2021/22 to 2025/26

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 has been reworked to take account of Covid-19 impact on services and operations. It is also anticipated that internal audit resources may be moved at short notice to support high risk areas. In order to manage audit work plan, address emerging risks and maintain sector intelligence there is a regular monthly meeting between CBMDC Internal Audit Manager and WYPF Financial Controller; and a quarterly meeting with the Director of WYPF.

Rodney Barton
Director WYPF

Portfolio:

Report Contact: Ola Ajala
Financial Controller WYPF
Phone: (01274) 434 534
E-mail: ola.ajala@wypf.org.uk

Overview & Scrutiny Area:

1 SUMMARY

- 1.1 This report presents the latest annual internal audit plan 2021/22 and 5 year plan. We reviewed a number of key service areas in terms of business and operational risks, with specific focus on new statutory and compliance areas. As in previous years we are also looking at both inherent and emerging risks.
- 1.2 In 2018/19 we increased internal audit resources and as a result we are conducting more in depth internal audit reviews, engaging more with Northern LGPS partners on issues and we also hold more frequent business review meetings with internal auditors to improve business knowledge and intelligence, resulting in improved internal audit service quality and best practise for WYPF.
- 1.3 All internal audit recommendations in 2020/21 were delivered within agreed timescales. In addition to the five year plan we also meet with Internal Audit to agree a detailed resource plan for each audit during the financial year allowing CBMDC internal audit and WYPF service managers to deliver all internal audit reviews planned in the year. To conclude each year's internal audit plan we review internal audit recommendations, which provides key governance information on risk management and control.

Key information provided in this report are:

- a) WYPF Five-year internal audit plan 2021/22 to 2025/26
- b) List of internal audits completed during 2021/22

2 WYPF Annual Internal audit plan 2021/22

- 2.1 This year we planned to carry out 13 separate audits, we delivered 11 in 2020/21. Occasionally the number of audit reviews are increased to address emerging risks, in 2019/20 a total of 13 reviews were carried out. High risk service areas such as UK and Overseas Equities are repeated each year, medium risk services are covered within two to three years and low risk areas are covered within four to five years. There is adequate resource to deliver one-off service reviews by Internal Audit. We hold monthly risk management review meetings and at the meeting we review service activities and consider the need to refocus audit activities to cover emerging service risks. This approach has improved internal audit engagements, ensuring service improvements and improved risk management.
- 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 operational and regulatory changes. In order to maintain quality of audit reviews finance officers are working with managers to look at previous recommendations to ensure current improved controls remain effective, and where controls are identified as insufficient, managers and finance officers work with CBMDC internal audit to design and implement improved controls.

2.3 In light of the Covid-19 impact on our services we have added business continuity to our plan for 2021/21. We are also looking at:

- Fraud scams
- Shared service admissions
- Northern LGPS collaboration on private equities

2.4 Detailed internal audit plan.

West Yorkshire Pension Fund Five Year Audit Plan 2021 - 2026	Frequency	Last Audit	Recomm- endations	Days	21/22	22/23	23/24	24/25	25/26
Liaison work with management				10	Yes	Yes	Yes	Yes	Yes
Annual Accounts Verification	Annual	Sep/20	1	10	Yes	Yes	Yes	Yes	Yes
Benefits									
Local Government Scheme Contributions	Every 2 Years	Nov/18	0	20	Yes		Yes		
New Pensions and Lump Sums - WYPF									
- Normal and Early Retirements	5 Yearly	Oct/19	1	25				Yes	
- Death in Service, Post Retirement Widow and Dependent Benefits	5 Yearly	Mar/17	0	25	Yes				
- Ill Health Pensions	5 Yearly	Feb/19	1	25			Yes		
- Flexible Retirements	5 Yearly	Nov/20	2	25					Yes
- Deferred Pensions	5 Yearly	Mar/18	0	25		Yes			
Transfers Out	3 Yearly	Oct/20	0	20					Yes
Transfers In	3 Yearly	Oct/19	2	20	Yes			Yes	
Reimbursement of Agency Payments	5 Yearly	Mar/18	2	20		Yes			
Life Existence / Certificates	5 Yearly	Oct/15	0	20					Yes
AVC Arrangements	5 Yearly	Sep/17	0	20		Yes			
Admission of New Bodies	5 Yearly	Feb/20	0	20				Yes	
Pensioners Payroll	Twice in 5 Years	Nov/20	0	25			Yes		Yes
Purchase of Additional Pension	5 Yearly	Mar/17	2	20	Yes				
Annual Benefits Statements	Twice in 5 Years	Mar/20	0	20		Yes		Yes	
Fire Service New Pensions and Lump Sums	Twice in 5 years	Dec/20	1	20			Yes		Yes
- Normal and Early Retirements	3 Yearly			20		Yes			Yes
- Ill Health and Death Benefits	3 Yearly			20			Yes		
- Deferred Pensions	3 yearly			20				Yes	
Investments									
UK and Overseas Equities	Annual	Mar/20	0	15	Yes	Yes	Yes	Yes	Yes
UK Fixed and Index Linked Public and Corporate Bonds	3 Yearly	Sep/19	0	15		Yes		Yes	
UK and Overseas Unit Trusts (Property and Other)	3 Yearly	Mar/20	1	15		Yes		Yes	
Fund of Hedge Funds	5 Yearly	Jun/16	1	15					Yes

West Yorkshire Pension Fund Five Year Audit Plan 2021 - 2026	Frequency	Last Audit	Recommendations	Days	21/22	22/23	23/24	24/25	25/26
UK and Overseas Private Equities	3 Yearly	Jun/19	3	15	Yes			Yes	
Global Bonds	5 Yearly	Dec/18	0	15			Yes		
Treasury Management (Short Term Cash Lending)	Annual	Dec/19	0	15	Yes	Yes	Yes	Yes	Yes
Stock Lending	5 Yearly	Oct/17	1	15	Yes				
Compliance with IAP Investment Decisions and Policies	3 Yearly	Nov/16	0	15			Yes		Yes
Verification of Assets	5 Yearly	Jan/18	0	15					Yes
NLGPS Collaborative Work - NPEP	New	New		20	Yes				
Other Audits									
Counter Fraud Work	New	New		15	Yes				
Business Continuity	New	New		20	Yes				
Shared Service Partner Admission	New	New		25	Yes				
Transfer of Data to New Pensions System		Jul/12	0						
Monthly Contribution Data Usage		Aug/15	6						
Information Governance Including GDPR		May/19	7						
Transfer of Data From Outside Bodies		Jun/19	6						
Pooling Arrangements		Mar/19	1						
Custodial Transfer Arrangements		Jul/20	0	20					
Accuracy of Contributions Recorded on Member Records		Feb/20	7	20					
GLIL		Jul/20	1	15					
ISAE 3402 (Support Work)		2018/19		15					
WYPF ICT				15		Yes			
Contingency				15	Yes	Yes	Yes	Yes	Yes
No of Audits					13	11	10	11	12
Days				Days	260	215	205	215	240

3 Internal Audits completed during 2020/21

Listed below is a summary of reviews that were carried out during the financial year 2020/21.

Transfer of Custodial Arrangements

- 3.1 This piece of work looked at the high level controls in place to manage the transfer of assets to the new custodial provider, the Northern Trust Bank. No issues were identified as a result of this audit.

Pensioners Payroll

- 3.2 The pensioner's payroll process was reviewed, the majority of these payments are made, mainly on a monthly basis, to almost 141,000 pensioners. The process was

found to be well controlled and did not result in any recommendations being made.

New Pensions and Lump Sums Flexible Retirements

- 3.3 This audit examined the calculation of the annual pension and the lump sum following a member's decision to retire on a flexible basis. The standard of control in this process was found to be good, with two recommendations for improvement being made and implemented. We are monitoring the new controls to ensure delivery of required improvements and where necessary we will redesign these controls.

Transfers Out

- 3.4 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 pension scheme. The control environment was found to be of an excellent standard with no recommendations arising from the work carried out.

Review of the West Yorkshire Pension Fund 2019/20 Accounts

- 3.5 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.

New Pensions and Lump Sums Fire and Rescue Authorities

- 3.6 West Yorkshire Pension Fund provides an administration service for the payment of nineteen fire and rescue authority pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member's decision to retire. The control environment was largely as required resulting in one recommendation for improvement and implemented. We are monitoring the new control to ensure delivery of required improvements and where necessary we will redesign the control.

Equities

- 3.7 Since November 2019, all quoted investments are now held under the custody of the Northern Trust Bank (previously HSBC), and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the annual audit review of this asset class found the process to be well controlled.

Treasury Management

- 3.8 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 excellent.

4 OTHER CONSIDERATIONS

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

5 FINANCIAL & RESOURCE APPRAISAL

- 5.1 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.

6 RISK MANAGEMENT AND GOVERNANCE ISSUES

6.1 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.

7 LEGAL APPRAISAL

7.1 There are legal implications for this report.

8 OTHER IMPLICATIONS

None

9 RECOMMENDATION

- That this reviewed and report is noted.

10 APPENDICES

None