

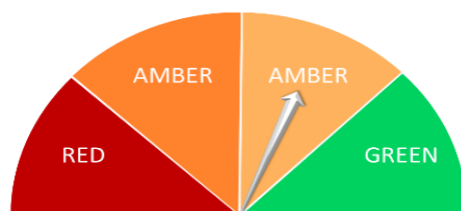
Flintshire Internal Audit

Audit Report

Title: Pensions Administration & Contributions (2015/16)
Portfolio: External
Issued Dated: May 2016
Report No: 44-2015/16
Report Status: Final

Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

Audit Opinion



1. Executive Summary:

Introduction and Scope:

An audit of Pensions Administration was undertaken as part of the approved Internal Audit Periodic Plan for 2015/16. The purpose of the review is to give assurance on the robustness of the administration processes and the accuracy of the data on the Pensions Administration software system, Altair.

The Fund currently comprises approximately 30 employers with active members, and approximately 40,000 scheme members (including active members, deferred and pensioner members).

Of significance in the current year is the development of the Clwyd Pension Fund Administration Strategy. The draft strategy has been consulted upon and was approved at the Clwyd Pension Fund Committee Meeting held on 22nd March 2016. This has now been implemented with effect from 1st April 2016. Of particular importance is the outlining of both the responsibilities of the Administering Authority and the Employers and also the required performance standards to be met under it. The overall objective is the delivery of a high quality, timely and professional administration service. Key Performance Indicators have been changed to ensure that they are more meaningful and a fairer reflection of performance.

The review incorporated looking at the timeliness of processing a sample of retirement accruals from 2014/15. After taking into account the date that all appropriate information had been received back from members, the average time taken to process the payments was 18 days. It will be important to consider the actual date pension information is received for the reporting of the Performance Indicators (PIs) under the new Administration Strategy.

The Clwyd Pension Fund's Business Plan for the next three years (2016/17 to 2018/19) has a number of projects which will aid the delivery of the Administration Strategy. These include the implementation of new software (iConnect) that will allow employer data to be loaded directly into the pension administration software. This should bring about increased efficiency within work processes.

Audit Opinion:

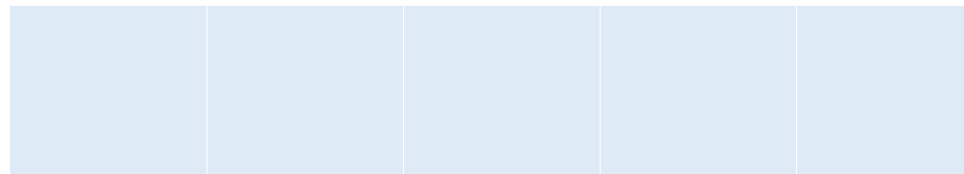
In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
<p>Amber Green – Reasonable</p>	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>

The table below highlights the number and priority of agreed actions to be implemented.

Priority	High	Medium	Low	Total
No.	0	1	4	5

The main challenge for Pensions Administration continues to be significantly reducing the backlog of tasks. As at 10th February 2016 backlog figures drawn off the system showed a total backlog of outstanding tasks of 2,486. This relates to 814 for 14/15 and the current workload of 1672 for 2015/16.



2. Summary Findings:

Areas Managed Well	Areas for Further improvement
<ul style="list-style-type: none"> • Life Cycle events are being processed accurately. • The Atmos data matching process is well managed with positive outcomes being achieved. • The Annual Benefit Statements are distributed in line with the scheduled timetable and communications with stakeholders are delivered in line with the Communications Strategy. • Task management is being reviewed regularly to determine potential work flow efficiencies. • Staff have regular 'in situ' training to expand their knowledge and keep abreast of regulations. • The processing of retirement payments is being conducted in a timely manner once all information has been received. 	<ul style="list-style-type: none"> • Where information is waited on to complete tasks monitoring could be improved to receive more timely responses. • Spreadsheets showing outstanding queries with contributing bodies need to be maintained in a manner where it is easier to see what the current position is. • Issues with the reconciliations of the Lump Sums need to be addressed in a timely manner.

3. Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Medium)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1(A)	<p>Lump Sums</p> <p>As at 25 January 2016 the reconciliation for period 9 was still being worked on and it took another 10 days for the reconciliation to be sent to us. Many problems have been reportedly experienced in undertaking the reconciliation and it still contains several large unexplained variances which are being worked on. These relate largely to Flintshire CC, Wrexham CBC and Denbighshire CC where there are items not in Masterpiece and items not on Altair reports. The net value of differences for Flintshire CC is £393k, for Wrexham CBC £117k and Denbighshire £19k. Many of the variances relate to early periods which should have now been resolved.</p>	<p>A revised report is to be produced and all variances will be picked up on a monthly basis.</p> <p>URN 01379</p>	Debbie Fielder	31/07/2016
2 (G)	<p>Flintshire Starters</p> <p>We obtained the spreadsheet of Flintshire starters and noted that Pension Assistants are currently working on queries from the November 2015 uploads. We obtained the monthly exception reports from the uploads to Altair from April 2015 to November 2015. The reports give control totals of the total number of member records read, the total of members rejected and the total accepted for updating. We noted that the date on these reports are often two months after the period end. The number of records rejected is approximately 30-40% of the total number of records.</p> <p>We noted that the exception reports are no longer being evidenced as checked or explanations given. The Pension Assistants are working off the reports to update the spreadsheet.</p>	<p>Evidence of checking the exception reports will be reinstated.</p> <p>URN 01374</p>	Sandra Beales	30/06/2016

No.	Findings and Implications	Agreed Action	Who	When
	The spreadsheet is colour coded on the left margin showing records in green when all queries resolved and agreed. We noted that there were still a few queries outstanding from August 2015 forwards.			
3 (G)	<p>Death Grants</p> <p>Out of a sample of ten death grants examined, in one case the payment of death grants showed tasks had not been completed dating back to September 2015. Pensions are waiting for information from Staffordshire Council to proceed or close off the case.</p>	<p>A review of the workflow and tasks undertaken has taken place and this will link into following through on cases requiring further action</p> <p>URN 01383</p>	Helen Burnham	30/06/2016
4 (G)	<p>Reconciliation of Employees and Employers Contributions</p> <p>Pensions Finance maintain a spreadsheet reconciling contributing bodies employee and employer contributions to amounts received and compare these to the Pensionable Pay figures and expected employer contributions payable.</p> <p>There is currently a cumulative difference of over £100k on the Flintshire County Council spreadsheet and the Employment Services Systems and Data Team Leader has informed Pensions Finance that the difference has arisen because of employees being paid back pay and this being subject to employer contributions at different rates. This has remained unresolved with it being reported by the Employment Services Systems and Data Team Leader to Pensions Finance staff that the Payroll system cannot provide the Pensionable Pay figures for these employees. However this information is required by Pensions Finance.</p>	<p>Details of Pensionable Pay will be requested from Payroll that reflect the contributions paid.</p> <p>UR 01378</p>	Debbie Fielder	31/05/2016
5 (G)	<p>Contributing Bodies Annual Statements</p> <p>From the 1st April 2015 Pension Funds must report on the Career Average Revalued Earnings (CARE) of Members. CARE is a defined benefit pension scheme. A defined benefit scheme guarantees a certain level of benefit at retirement, according to a fixed formula.</p> <p>When the Annual statements are received from the</p>	<p>A thorough review of the workflow has already been undertaken to take into account the ownership of outstanding tasks and the spreadsheet will be updated accordingly</p> <p>URL 003</p>	Helen Burnham	30/09/2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>contributing bodies these are manually copied and pasted to a spreadsheet template. Because of the new regulations on the CARE element there are now two spreadsheets that must be uploaded through the Flintshire database in Microsoft Access. To make this easier for the employers, Pensions Administration have combined the two spreadsheets and edited the guidance notes. Due to the CARE element including overtime and the Pre CARE pensionable pay excluding overtime pensionable remuneration for the employers can no longer be automatically calculated by the system. Employers have therefore now been asked to supply the details. It was reported that a few employers have struggled to provide these details because of uncertainty on the required calculation and have sometimes merely quoted the members final pay scale rather than pensionable remuneration.</p> <p>As the two spreadsheets have to be uploaded separately to Altair the reporting element can be duplicated.</p> <p>A number of reports are drawn from the system after the information has been uploaded. These are:</p> <ul style="list-style-type: none"> • No matching Data Sets • Duplicate data Sets • Contributions already exist. • AVC contributions. <p>These are all reviewed and investigated by the Technical Development Officer. Checks are evidenced on the reports.</p> <p>Reports of Pensionable Remuneration (High/Low) are also produced. Significant differences between the last Pensionable pay and the current are all investigated.</p> <p>A Contributions Query Folder is maintained on the shared drive with a spreadsheet for each contributing body. We</p>			

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	<p>obtained the outstanding queries for the individual contributing bodies and found:</p> <table border="1" data-bbox="226 284 999 751"> <thead> <tr> <th data-bbox="226 284 479 371" rowspan="2">Employer</th> <th colspan="5" data-bbox="479 284 999 316">Queries Relating to</th> </tr> <tr> <th data-bbox="479 316 595 371">Starters</th> <th data-bbox="595 316 712 371">Leavers</th> <th data-bbox="712 316 819 371">Missing Cont's</th> <th data-bbox="819 316 920 371">Other</th> <th data-bbox="920 316 999 371">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="226 371 479 403">Wrexham BC</td> <td data-bbox="479 371 595 403">333</td> <td data-bbox="595 371 712 403">120</td> <td data-bbox="712 371 819 403">60</td> <td data-bbox="819 371 920 403">76</td> <td data-bbox="920 371 999 403">589</td> </tr> <tr> <td data-bbox="226 403 479 435">Coleg Cambria</td> <td data-bbox="479 403 595 435">44</td> <td data-bbox="595 403 712 435">40</td> <td data-bbox="712 403 819 435">12</td> <td data-bbox="819 403 920 435"></td> <td data-bbox="920 403 999 435">96</td> </tr> <tr> <td data-bbox="226 435 479 467">Flintshire CC</td> <td data-bbox="479 435 595 467">396</td> <td data-bbox="595 435 712 467">129</td> <td data-bbox="712 435 819 467">30</td> <td data-bbox="819 435 920 467"></td> <td data-bbox="920 435 999 467">555</td> </tr> <tr> <td data-bbox="226 467 479 499">Denbighshire CC</td> <td data-bbox="479 467 595 499">174</td> <td data-bbox="595 467 712 499">18</td> <td data-bbox="712 467 819 499">65</td> <td data-bbox="819 467 920 499"></td> <td data-bbox="920 467 999 499">257</td> </tr> <tr> <td data-bbox="226 499 479 531">North Wales Fire</td> <td data-bbox="479 499 595 531">2</td> <td data-bbox="595 499 712 531">2</td> <td data-bbox="712 499 819 531">1</td> <td data-bbox="819 499 920 531"></td> <td data-bbox="920 499 999 531">5</td> </tr> <tr> <td data-bbox="226 531 479 563">Careers Wales</td> <td data-bbox="479 531 595 563">1</td> <td data-bbox="595 531 712 563">2</td> <td data-bbox="712 531 819 563"></td> <td data-bbox="819 531 920 563"></td> <td data-bbox="920 531 999 563">3</td> </tr> <tr> <td data-bbox="226 563 479 595">Wrexham Com</td> <td data-bbox="479 563 595 595">9</td> <td data-bbox="595 563 712 595"></td> <td data-bbox="712 563 819 595"></td> <td data-bbox="819 563 920 595"></td> <td data-bbox="920 563 999 595">9</td> </tr> <tr> <td data-bbox="226 595 479 627">Connahs Quay High</td> <td data-bbox="479 595 595 627"></td> <td data-bbox="595 595 712 627"></td> <td data-bbox="712 595 819 627"></td> <td data-bbox="819 595 920 627">3</td> <td data-bbox="920 595 999 627">3</td> </tr> <tr> <td data-bbox="226 627 479 659">Glyndwr</td> <td data-bbox="479 627 595 659"></td> <td data-bbox="595 627 712 659">6</td> <td data-bbox="712 627 819 659">2</td> <td data-bbox="819 627 920 659"></td> <td data-bbox="920 627 999 659">8</td> </tr> <tr> <td data-bbox="226 659 479 691">Bodelwyddan Castle</td> <td data-bbox="479 659 595 691"></td> <td data-bbox="595 659 712 691"></td> <td data-bbox="712 659 819 691"></td> <td data-bbox="819 659 920 691">2</td> <td data-bbox="920 659 999 691">2</td> </tr> <tr> <td data-bbox="226 691 479 751">Total</td> <td data-bbox="479 691 595 751">959</td> <td data-bbox="595 691 712 751">317</td> <td data-bbox="712 691 819 751">170</td> <td data-bbox="819 691 920 751">92</td> <td data-bbox="920 691 999 751">1527</td> </tr> </tbody> </table> <p data-bbox="226 791 999 1090">There are many outstanding queries on the annual contributions and the Technical Development Officer informed us that as the queries are passed to the Pensions Operations Team the spreadsheets may not have been updated to reflect the current position. We were informed during the previous review that the spreadsheets had been redesigned and a better system was in place for ensuring the current position of the queries, however this has not happened.</p> <p data-bbox="226 1129 999 1425">On discussion a Principal Pensions Officer informed us that this is work in progress to ensure the current position is clearer and up to date and a Pensions Assistant is currently working through the query spreadsheets looking at the queries against the Task Lists. The Task will be changed under a Technical user Group to ensure that the queries are assigned to the Pensions Operations Team to resolve and monitor more closely under the routine monitoring of tasks outstanding.</p>	Employer	Queries Relating to					Starters	Leavers	Missing Cont's	Other	Total	Wrexham BC	333	120	60	76	589	Coleg Cambria	44	40	12		96	Flintshire CC	396	129	30		555	Denbighshire CC	174	18	65		257	North Wales Fire	2	2	1		5	Careers Wales	1	2			3	Wrexham Com	9				9	Connahs Quay High				3	3	Glyndwr		6	2		8	Bodelwyddan Castle				2	2	Total	959	317	170	92	1527			
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4. Distribution List:

Name	Title
Colin Everett	Chief Executive Officer
Philip Latham	Clwyd Pension Fund Manager
Helen Burnham	Service Manager
Debbie Fielder	Pensions Finance Manager
Alwyn Hughes	Pensions Finance Manager

Appendix A - Audit Opinion:

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
Green - Substantial	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p>
Amber Green - Reasonable	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>
Amber Red - Some	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p>
Red - Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p>