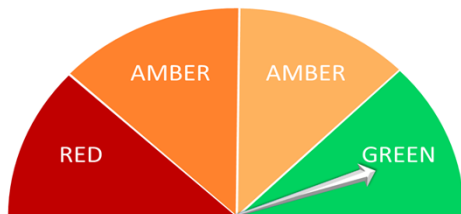# Flintshire Internal Audit

Audit Report

Title: Pensions Administration

Portfolio: People and Resources

Issued Dated: May 2015

Report No: 09-20014/15

Report Status: Final

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

Audit Opinion

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1. Executive Summary:

Introduction and Scope:

An audit of Pensions Admin was undertaken as part of the approved internal audit periodic plan for 2014/15. The purpose of the review is to give assurance on the robustness of the administration processes and the accuracy of the data on the Altair system.

The priorities for Pensions Administration identified in the 2014/15 Service Plan were:

- Work to continue on developing and reporting on pension administration performance to enable the documentation of an Administration Strategy.
- Work to continue with employers on improving data quality, including removing a backlog of tasks.

The current year has seen the implementation of the new LGPS 2014 scheme which has involved a large amount of preparatory work and the administration system was not ready for all cases on 1st April 2014. Our testing on life cycle events highlighted a potential further issue for the backlog work particularly around Transfers –In and Transfers-Out due to the delayed issuing of guidelines of dealing with these cases under the new scheme. These cases were on hold at the time of the audit.

The Business Plan for 2015-2017 sets out a number of changes over the next few years and, importantly for Pensions Administration, work will commence on the development and implementation of a Pension Administration Strategy and Performance Standards in Quarter one 2015/16. This will outline how the administration services will be delivered and the service standards will demonstrate how the delivery will be measured and reported and the key risks to the service. A Risk Register has been developed for the Clwyd Pension Fund which has identified the administration risks.

For the purposes of this review, our initial work on looking at reports supplied by payroll for new starters and checking to the records held in the Clwyd pension Fund, highlighted a large number of discrepancies and a decision

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
Green / Substantial	**Strong controls in place (all or most of the following)** ▪ 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 Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.

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

Priority	High	Medium	Low	Total
No.	0	1	2	3

was made for this area to be included in the Payroll Audit for a fuller investigation and reported on separately. It does however, illustrate the necessity to ensure the integrity of the data and this will be particularly important for providing member data for valuation by the Actuary by 31st March 2016.

The scope of the review involved:

- A review of lifecycle events including new starters, transfers in and out, refunds and retirement lump sum calculations;
- Staffing levels and training provided;
- Financial transactions and reconciliations between employers and the Clwyd Pension Fund;
- Communications with stakeholders;
- Reports to the Clwyd Pensions Fund Committee and performance monitoring information; and
- Reviewing implementation of the previous report's recommendations.

2. Summary Findings:

Areas Managed Well	Areas for Further Improvement
▪ New starter details for non FCC employees are effectively input from the T36 Notification forms to the Altair system.	▪ Monthly uploads of FCC new starter information should be processed in a timely manner to assist the investigation and resolution of queries and ensure the accuracy of data.
▪ Life cycle events are appropriately managed and checked.	▪ The Life Certificate should be updated prior to its next issue to include a stronger statement on the implications of submitting fraudulent information.
▪ Scheduling of the timetable for the annual distribution of the Benefit Statements is carefully monitored and controlled and communications with stakeholders are well delivered in line with the Communication Strategy.	▪ Access to the Altair system would greatly assist Pensions Finance in their monthly reconciliation of information to the General Ledger.
▪ Staffing levels and structures have been addressed. There is still some minor staffing restructuring to take place.	
▪ A project has been undertaken to review the way tasks are set up within Altair with a view to streamlining the process and assist monitoring.	
▪ The Cancelled Pay/Pensions Control Account is effectively monitored.	
▪ A consultant has been appointed by Clwyd Pensions Fund to address the backlog and this work commenced in April 2015.	
▪ Disaster recovery testing has now been successfully completed on 14th April 2015.	
▪ Pensions Finance closely monitor the monthly contributions from all the scheme's contributing bodies and prepare a reconciliation at year end to the figures in Masterpiece.	
▪ Pensions Finance closely monitor and reconcile the lump sum payments, death grants, transfers out and in to the General Ledger.	

3. Action Plan:

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

No.	Findings and Implications	Agreed Action	Who	When
1	Testing on the monthly uploads of information on the FCC new starters showed that Pensions Administration are currently working on the December 2014 report with many queries still not checked from earlier months due to a turnover in staff. This has now been addressed with two Pensions Assistants working on the information but this does need to be prioritised to ensure the queries are processed in a timely manner as the Assistants have had to be trained which has caused some delays.	• As the new Pensions Assistants have been trained the timing of the resolution of queries will improve. This is also dependent on the timely receipt of the monthly uploads of FCC new starter information.	Helen Burnham	30/09/2015
2	We were aware of fraudulent activity on the false declaration of a Life Certificate sent out last year and have noted that the form has not been updated to reflect the importance of providing accurate information.	• The Life Certificate should be updated prior to its next issue to include a specific declaration section and the implications of submitting fraudulent information.	Helen Burnham	31/03/2016
3	Pensions Finance are undertaking the appropriate monthly reconciliation of information held to the General Ledger but this is hindered by not having access to the Altair system.	• This has now been given to the Finance Assistant-Pensions	Phil Latham	April 2015

4.   Distribution List:

Name	Title	
Helen Burnham	Pensions Administration Manager	
Helen Stappleton	Chief Officer-People and Resources	
Phil Latham	Clwyd Pension Fund Manager	
Debbie Fielder	Pensions Finance Manager	
Alwyn Hughes	Pensions Finance Manager	
Gary Ferguson	Corporate Finance Manager	
Colin Everett	Chief Executive	

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	**Strong controls in place (all or most of the following)** ▪ 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 Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.
Amber Green – Reasonable	**Key Controls in place but some fine tuning required (one or more of the following)** ▪ 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 Impact: key controls generally operating effectively but there remains a potential risk of loss, fraud, impropriety or damage to reputation and / or failure to deliver organisational objectives.
Amber Red – Some	**Significant improvement in control environment required (one or more of the following)** ▪ 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. Impact: key controls are generally inadequate or ineffective and there is an increased probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.
Red – Limited	**Urgent system revision required (one or more of the following)** ▪ 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. Impact: a lack of adequate or effective controls leading to a high probability of loss, fraud, impropriety, waste, damage to reputation and / or failure to deliver organisational objectives.