Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Pensions	March 2017	This audit was undertaken as part of the 2016/17 agreed internal audit plan. The Pensions function is responsible for the administration of the Pensions scheme from the Council side, excluding the investment of the funds. Employees of the Council up to 75 years of age, who have a contract of more than three months duration, are entitled to join the LGPS. Decisions on delegated provisions are agreed by the Pensions Committee. The LGPS is a contributory scheme, whereby the employees contribute from their salary. The level of contribution is determined by whole time salary and contribution levels are set by the National Government. As at 31 December 2016, employees and employers contributions totalled £8,351m and £37,397m respectively. The audit was designed to provide assurance to management as to whether the systems of control around the Pensions system are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in the internal control procedures. The main weaknesses were as follows:- • Examination of 20 out of 170 overseas individuals identified seven cases where the required life certificate form had not been returned, but these individuals were still being paid. In addition, no reminder letters were sent. • A sample of 20 leavers, from a total of 765 pension scheme leavers since April 2016, was tested. Two exceptions were identified, one where the same officer had undertaken and reviewed his own work, the other where the second officer is yet to review the work undertaken.	Extensive	Limited ⇐

	• Examination of a sample of 20 retirements, tested from a total population 148 retirements since April 2016, identified that there were missing signatures on one AP1 form (payments voucher) and two payroll input forms. In three of the Final Pay calculations, not all pages had been scanned onto the individual's records and therefore evidence of the physical sign-offs could not be verified.

• Examination of five transfers in, from a total of 19 transfers into the pension scheme since April 2016, identified that in one case a second officer review should have taken place in August 2016 but is yet to take place (as at end of January 2017).

• Where the parameters for NI number, payroll number and the post number are found not to match (between the payroll system and pensions system), or there are any changes required to be made to employee addresses, hours, surname and first name, amendments and adjustments should be actioned by the Pensions Team. However, processing of these cases is known not to be up to date and there is also no review by a second officer of the changes subsequently made. This has the implication that confidential pensions information could be provided to the wrong locations or individuals may not receive accurate information regarding their pensions.

• Three key reconciliations are performed between Altair and Agresso (covering refunds, lump sum payments, and transfers out). A fourth reconciliation is conducted between Altair and a manually maintained spreadsheet (within the Finance Department) which records details of transfer payments received. This acts as a double check that the expected transfer-in monies have been received. However, there is no evidence to suggest a second officer reviews any of these reconciliations on a monthly/quarterly basis.

• Although procedures exist for the Pensions Team, as well as flow charts, some of these are now out of date and version controls are not sufficiently detailed.

All findings and recommendations were agreed with the Pension Manager and Team Leader, and reported to the Corporate Director, Resources. | |

Management Comments

The performance of the Pensions Team during 2016 was impacted by the prolonged absence of the Pension Manager and the diversion of one of the two team leaders to address weaknesses in the payroll system relating to auto-enrolment. In addition, a built up of work had been allowed to develop relating to the recording of monthly earnings from a growing number of external payroll providers. Since the introduction of CARE benefit in 2014, the volume of date required to calculate benefits has increased and reliance was being placed on manual processes. Starting from December 2016, steps have been taking to address the underlying problems with two interim appointments; a pension manager and pension officer. Although the backlog of earnings data has been cleared and technology solutions to capture this data have been identified, they have not yet been implemented. In addition, the diversion of pension staff time to resolve the inability of the Council's payroll system to handle auto-enrolment continues.

Looking at the detailed comments above

Checks on Continued Entitlement to Pension

The overseas life certificate exercise undertaken in Q1, 2016 was not followed through to the issue of reminders or the suspension of pensions. This exercise is undertaken annually and was repeated in Q1, 2017 from which 3 deaths were notified and 4 pensions suspended due to non replies. Also undertaken in Q4, 2016 was the matching of members records against the UK national death register. This identified 27 deaths which had not been notified to the pension team. These pensions have all been suspended and recovery action is being pursued with next of kin.

Use of Workflows and Recording of Work Undertaken

Bullet points 2-4 relate to the same issue, that the correct procedures for the use of Task Management Workflow have not been followed. Workflows are set up for each task within the pension administration system and guide staff through the process and record who does what and when. The design of workflows were reviewed with the software provider in December 2016 and significantly amended to record each stage of a calculation or task leading to greater accuracy in the recording of work and the performance of the team against KPIs. Staff have been shown how to use the new workflows and reminded of the need to record the work undertaken. Previously, in some instances tasks undertaken have not been signed off in workflow meaning that the tasks remain classified as outstanding even if the work (a review) has been undertaken. At a later date it is not possible to demonstrate task completion and by which team member. The absence of timely reviews of tasks shown as remaining outstanding within workflow has caused uncertainty as to whether work was checked or not and resulted in short cuts being taken to close workflows e.g. same individual recorded as both checking and completing calculations. In addition, to improving workflow processes, weekly task management reports are being issued to staff to remind them of outstanding work and to monitor that tasks are being completed in accordance with targets.

Scanning Paper Documents to Record Signatures

Where a computer record exists of the staff that completed and checked a task, there is no need to sign paper calculations and scan. The computer records provide sufficient, and superior, evidence of the work undertaken. Procedures notes will be amended to remove reference to scanning signatures were alternative records of work undertaken exist.

Pension / Payroll Interface Rejections (5th bullet point)

A considerable volume of data on earnings and changes in staff working arrangements passes from payroll to pensions each month. When the interface cannot find a matching record in the pension's administration system due to a mismatch in identification data, the interface file has to be amended to correct the identification headers and re-run to allow the interface to operate. In future, exception reports will be printed with a note of all manual adjustments. Changes will be verified by a second officer and reports will be scanned and saved.

The reference to delays in updating and amending members records relate to the recording of CARE benefits. These are now up to date.

Reconciliations between Pension Administration System and General Ledger

The comments regarding reconciliations of lump sums, refunds and transfers out are agreed and have been implemented. These reconciliations will be completed within a month and reviewed by a second officer (normally the Pension Manager). A schedule will be maintained of reconciliations undertaken, including data and names (preparer and checker). The checker will sign each reconciliation to evidence the review.

With regards to the transfers in reconciliation this is not a financial reconciliation as such, rather Pensions will only credit the transferred service once the transfer value has been received and require a means of identifying when funds are received. Workflow memos are established when a transfer request is made and delays in receiving funds are queried with the previous pension provider.

Procedure Notes

All procedures were reviewed prior to the Audit, but those that required no action were not amended. In future all procedures will be checked annually, with each review being evidenced by a name and date.