Flintshire Internal Audit

Audit Report

Title: Clwyd Pension Fund - Administration & Contributions (2016/17)

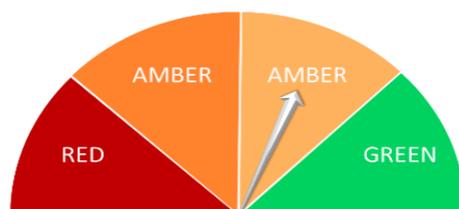**Portfolio:** External

Issued Dated: May 2017

Report No: 24-2016/17

Report Status: Final

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

Audit Opinion

CYNGOR
Sir y Fflint
Flintshire
COUNTY COUNCIL

1. Executive Summary:

Introduction and Scope:

An audit of Pensions Administration was undertaken as part of the approved Internal Audit Annual Plan for 2016/17. 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 is currently comprised of approximately 39 employers with active members, and approximately 45,000 scheme members (including active members, deferred and pensioner members).

The Administration Strategy became effective from 1st April 2016 with its aim being to ensure the Administering Authority and the employers are both fully conversant with their responsibilities under the Scheme and to set out the performance standards against which the service can be measured to ensure the delivery of a 'high quality, timely and professional service'.

As part of the Business Plan and to aid the delivery of the Strategy, I-Connect an employer on-line data transmission tool has been successfully implemented for three fund employers (Denbighshire County Council, Prestatyn Town Council and Bodelwyddan Castle Trust). This enables the employer's payroll data to be uploaded directly and integrated into the Pensions Administration system Altair facilitating the integrity of the Pension Fund data. It is planned to phase in this facility for the larger employer organisations over the next year. In addition the Business Plan for 2017/18 also includes the implementation of Member Self Service.

The Employer Liaison Team has been established from 1st December 2016 to 'provide assistance to fund employers by providing accurate and complete notifications to the Fund in a timely manner'. Part of this work includes taking over the function of the reporting of new Flintshire County Council starters to the Pension Fund to ensure the accuracy and completeness of the member records. Regular discussions are being held with Payroll to facilitate this process. The progress of this Team will be monitored and reported on a regular basis.

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
Amber Green - Reasonable	Key Controls in place but some fine tuning required - Key controls exist but there are weaknesses and inconsistencies in application though no evidence of significant impact - Some refinement or addition of controls would enhance the control environment Conclusion: key controls are generally operating effectively.

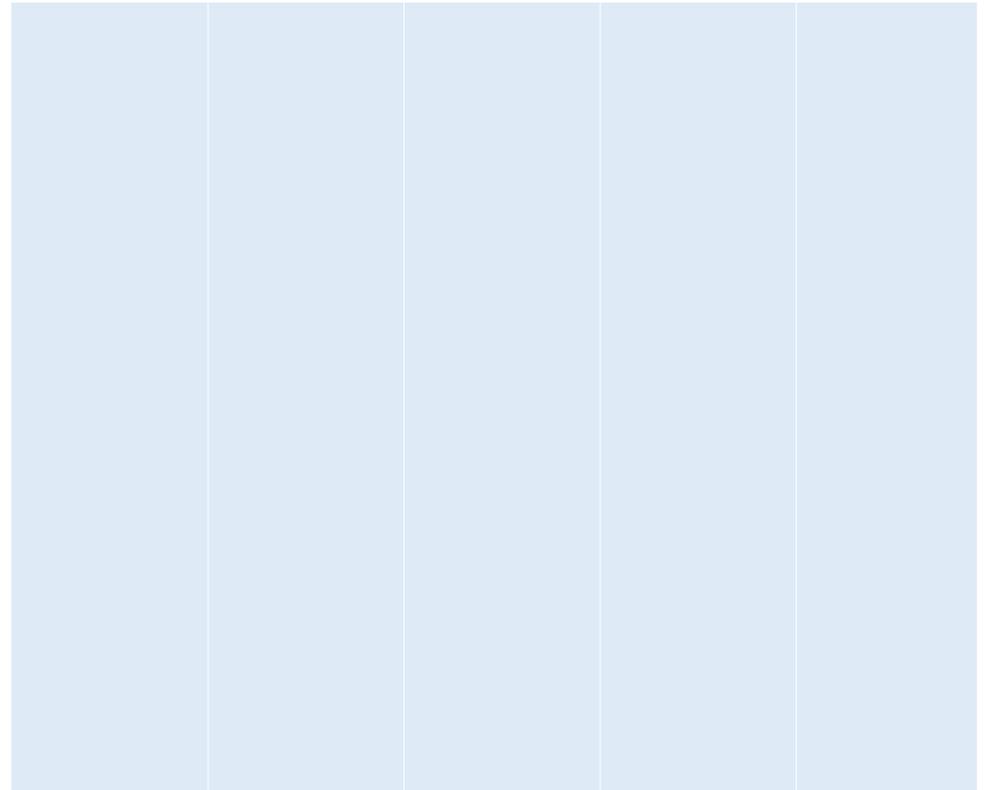The table below highlights the number and priority of agreed actions to be implemented.

Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	0	2	2	4

The Administration Strategy has not as yet delivered on performance monitoring. We were unable to review the Pensions Section performance against available statistics as the monitoring reports were still being worked on at the time of the review.

As in previous years the main challenge for the Pensions Section continues to be reducing the backlog of tasks. As at 30/04/2017 the backlog figures drawn off the system showed 2,012 outstanding cases. We do not have a comparative figure as the method of reporting has changed from showing outstanding tasks as opposed to cases. There are a large number of outstanding tasks resulting from the annual upload of the employers' Annual Statements. We have acknowledged however that the Pensions Section have had resource issues in the current year and that this is being addressed as Workforce Planning is part of the 2017/18 Business Plan. All efforts are being made to tackle the outstanding work.

The scope for this year's review has concentrated on the following:
- The processing of Life Cycle Events
- Task Management
- The time taken to process retirement payments
- Financial transactions and reconciliations between employers and the Clwyd Pension Fund
- Communication to stakeholders

2. Summary Findings:

Areas Managed Well	Areas for Further improvement
• Lifecycle Events are processed accurately. • Communications with stakeholders are delivered in line with the Communications Strategy. • Disaster Recovery testing is carried out annually. • Backlog undertaken by Mercer is closely monitored.	• Staff training has fallen behind the plan for training in the current year. • There are still sizeable variances resulting from the reconciliation of the Lump Sums to the General Ledger. • Validation Reports from the monthly uploads of Flintshire new starters are not always evidenced as being checked and corrected. • There are still many outstanding queries from the annual upload of Contributing bodies Annual Statements.

3. Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	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)	We obtained the monthly Validation Reports showing the results of the upload of Flintshire starters to the Altair system. We noted that the Pensions Section are still working through the January to March 2017 reports (as at 27th April 2017). During the period April 2016 to December 2016 it was identified that 185 records had been rejected and that for 65 there was no evidence of these having been checked and verified. The implication is that without a clear audit trail of follow through actions member records may be omitted from being successfully uploaded.	Agreed Action: A consistent approach will be re-emphasised to ensure all monthly validation reports showing the results of the monthly uploads of new Flintshire County Council starters to the Altair system are evidenced as having been checked and the reasons given for the rejected records. URN 01926	Sandra Beales	31/05/2017
2 (A)	It should be noted that the Lump Sum reconciliations and differences resulting from these have improved from the previous year but there are still sizeable differences particularly relating to the larger organisations such as Wrexham, Flintshire and Denbighshire. The value of the discrepancies as at 13th April when we received the spreadsheet was as follows: • Denbighshire County Council 2,910.84 • Flintshire County Council 35,868.29 • Wrexham County Borough Council 14,165.32 • Clwyd County Council 3,894.77 • Llysfasi 1,127.37 • Newi 54,298.75 • Yale 987.11 • Wrexham Maelor B.C. 402.69 We noted that the majority of differences are due to the amounts appearing in Ledger but not on the reports	Agreed Action: Pensions Finance and the Pensions Technical support will meet to ensure there is clearer communication to establish what information is required against what information is already supplied to ensure that the variances arising from the Lump Sums reconciliations can be resolved in a timely manner. If reports need to be developed to facilitate this the implementation date given reflects this. URN 01928	Debbie Fielder	31/12/2017

No.	Findings and Implications	Agreed Action	Who	When
	drawn off Altair supplied to Pensions Finance from the Pensions Section. We checked a small proportion of these and found that with one exception the Lump Sums appear on Altair as being paid but are not on the reports supplied.			
3 (G)	Extracts of information from Altair are taken monthly and uploaded to the Atmos matching software. The results are formulated into reports and sent to Pensions for checking. Since October 2016 a new categorisation of matches has been formulated by Atmos which are listed below and replace the previous categories: • A Matches on Forename, Surname, Address, Postcode, Date of Birth for day, month and year. (Exact Match). • B Matches on above except for address. • C Matches on all of A except for Date of Birth. • D Matches on Forename, Surname, Postcode, Date of Birth, month and year. • E Matches on Forename (full not initial), Surname, Date of Birth, day, month and year. • F Matches on Forename, Surname, Address and Postcode. (There must be no Date of Birth submitted). • G Matches on Forename (initial only), Surname and full date of birth details. • H Matches on Forename (in full), Surname and date of birth month and year only. The Pensions Section stop payment of pensions for all matches under A and B categories for the period of match. Results under category C do not result in the stopping of payment of pension but are investigated further. We obtained the monthly reports of matches for December 2016, January 2017 and February 2017.	Agreed Action: Reports of Atmos matches will be evidenced as checked for categories other than A. The process for checking categories other than exact matches has now been documented for consistency of approach. URN 01856	Karen Williams	31/05/2017

No.	Findings and Implications	Agreed Action	Who	When
	These all had evidence of checking the A matches. All other matches for the three months reviewed were for categories E onwards. There is no evidence of checking other categories. We obtained the spreadsheet of Atmos matches showing the cumulative results from 2011. We extrapolated the results from April 2016 to the end of February 2017 and these showed 99 matches. This has resulted in an estimated £24,366.68 being stopped in Pension Payments.			
4 (G)	A Principal Pensions Officer maintains a spreadsheet of staff training undertaken within the section. This record shows that training is still outstanding for a number of individuals due to the changes in the section and changes in responsibilities for a number of individuals. Training is to be delivered in to 2017/18 for these individuals.	Agreed Action: Internal training will continue to be progressed to expand knowledge within the Section. Appraisals will highlight where training needs are required. URN 01927	Helen Burnham	31/12/2017

4. Distribution List:

Name	Title
Philip Latham	Accountable officer for the implementation of agreed actions
Colin Everett	Chief Executive Officer
Philip Latham	Clwyd Pension Fund Manager
Helen Burnham	Pensions Administration 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	**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 Conclusion: 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 Conclusion: key controls generally operating effectively.
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. Conclusion: key controls are generally inadequate or ineffective.
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. Conclusion: a lack of adequate or effective controls.