

Draft Internal Audit Report

Pension Administration (Contributions/Members Records)

February 2016

Executive Summary

Audit Opinion:

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Assurance Summary:

Assessment	Key Control Objectives
Excellent	Members information is held in compliance with Data Protection and is provided to relevant parties to fulfil member and regulation requirements.
Good	Employer (employer and employee) contributions are accurate and received in full by specified timescales.
Good	The Pension Fund provides accurate and timely information to assist employers in fulfilling their Pension Fund obligations.
Good	A governance framework and processes are in place to manage/scrutinise Pension Fund administration.
Satisfactory	Employers provide accurate member and contribution information by specified timescales.

Detailed Report

Opinion:

Internal Audit has undertaken a review of the risks and controls related to Pension Administration (Contributions/Members Records) and assessed the framework of internal control at Level 4. A total of 5 audit recommendations are detailed in the Action Plan.

Scope and Objectives:

The scope and objectives of our audit were set out in the Audit Brief and a summary of our opinion against each of the specific areas reviewed has been detailed in the Assurance Summary section above.

Context & Audit Comment:

As part of the 2015/16 Audit Plan, an audit review has been carried out on the adequacy of the framework of internal controls in relation to the Avon Pension Fund Administration processes.

Previous audit review work on the Iconnect system was focussed on the big 4 local authority employers; therefore this review was focussed on those employers outside of these.

The main focus of the review was the Avon Pension Fund's compliance with code of practice 14, the following shows which elements of this code were covered in this review and which were not, those not covered will be the subject of a further review in 2016/17.

Covered:

- Administration - Record Keeping
- Administration - Contributions
- Risk Management
- Internal Control
- Administration - Member Information

Not Covered:

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- Governance of the Scheme
- Whistleblowing, Confidentiality
- Disputes & Resolution
- Breaches & Reporting

The following figures are only in relation to the employers outside of the 4 main local authority employers, which were the subject of this review:

Total number of employers 232 as at December 2015

Active Members 23511

Deferred Members 28158

Pensioners 13179

Dependents 1096

Source Avon Pension Fund

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Based on the assessment of the overall framework of internal control, the audit review of Avon Pension Fund Administration has been assessed as Assurance Level 4 - "Good Control Framework", with 1 element of the process being assessed as excellent.

We identified the following strengths:

- There is a comprehensive suite of procedure notes readily available to all staff for all administration procedures.
- Receipt of LGPS50 forms from all employers is effectively monitored and managed.
- In compliance with Regulation 67 of the Local Government Pension Scheme (LGPS) the Avon Pension Fund has a Communications Policy Statement which is reviewed annually.
- There is a comprehensive service risk register in place which is regularly updated and reviewed.
- A new role is to be created to help employers with training requirements and to aid communications and public relations with employers.
- Annual statements of employee data held are sent to employers for them to reconcile and correct if required.
- Employers and members are informed timely of any news or information that may affect their pensions and the fund.

We identified the following weaknesses:

- There is no formal process for independent quality checking of information input to the Altair database from completed instruction forms to ensure that information contained within the Altair database is accurately recorded.
- There is a lack of assurance from employers concerning accuracy of data they have submitted.
- Independent quality checks of monthly reconciliations of LGPS50 data could not be evidenced from records held.
- No formal log maintained of employers and employees attending ESS training.
- Need for more employers to use ESS and improve on the quality of the data they submit.

Audit & Risk Personnel:

Lead Auditor: Mark Wheeler

Acknowledgements:

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ACTION PLAN

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M1	Independent Quality Checking Process There is no formal process for independent quality checking of information input to the Altair database from completed instruction forms.	Financial and reputational loss due to inaccurate or incomplete information contained within the asset management system.	The Acting Pensions Benefits Manager should implement a process of independent monitoring (quality checking) of data input to the Altair System to ensure the quality of information held on the system. The level and timing of the checking should be appropriate to the experience of the processing officer and any problems identified. The checks should be undertaken by an independent officer and details of all cases reviewed should be recorded on a checking log/spreadsheet	TO BE COMPLETED & AGREED – REPORT STILL DRAFT

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M2	<p>Independent validation for accuracy of employer data submitted to the APF:</p> <p>Year end data returns from employer returns of data information from employers to the APF are not accompanied by a declaration or signed to state that they give assurance that the data is accurate and has been independently verified prior to submission.</p>	<p>Data submitted may be incorrect or false leading to employees' pension benefits being incorrect.</p> <p>Losses to the pension fund if salaries are incorrectly overstated.</p>	<p>The Acting Pensions Benefits Manager should ensure that all forms and information containing employee information received from employers has a declaration requiring a signature similar to the one already present on the LGPS51 form, the declaration should include:</p> <ul style="list-style-type: none"> • Assurance that all information and figures supplied have been independently checked and verified by the employer. • Assurance that to the best of their knowledge the information and figures supplied are correct • Sign off by an employer authorised signatory. <p>This will at least give the APF some assurance as to the validity and accuracy of the information supplied by employers, and in cases where there may be challenge to the information used the APF will have at least a declaration from employers to show that data used is verified.</p>	<p>TO BE COMPLETED & AGREED – REPORT STILL DRAFT</p>

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M3	<p>Independent Quality Checking of LGPS50 Reconciliation.</p> <p>Independent quality checks of monthly reconciliations of LGPS50 data are carried out, this is proven by errors that are found being backed up by prompt emails advising of the errors; however, evidence of the reconciliation is not always recorded.</p>	<p>Lack of audit trail to show that reconciliations have taken place, leaving doubt as to whether they have been carried out or not, if not, anomalies and errors may go undetected.</p>	<p>The Finance & Systems Manager (Pensions) should ensure that there is an audit trail to show that independent quality checks of the reconciliations have been carried out.</p> <p>This may involve a signature or “stamp” against the reconciliation to show it has happened.</p>	<p>TO BE COMPLETED & AGREED – REPORT STILL DRAFT</p>

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M4	<p>No formal log held of training attendance:</p> <p>Employer representatives attend the APF Employee self-service training sessions, however, there is no formal log kept of who has attended.</p> <p>This is necessary as access to the ESS system should be denied until the training has been attended.</p>	User to the ESS system may not know how to use the system correctly resulting in possible incorrect input of data, for example this could lead to incorrect personal information being presented on employee annual statements.	The Acting Pensions Benefits Manager should ensure that all attendees of training are logged in a spreadsheet, used for reference if a request comes in for access to ensure they have undergone the appropriate training beforehand.	TO BE COMPLETED & AGREED – REPORT STILL DRAFT

MEDIUM RISK EXPOSURE				
	Weakness Found	Implication or Potential Risk	Recommendation(s)	Responsible Officer Management Comments Implementation Date
M5	<p>Improving Performance:</p> <p>There are further improvements which could be made to performance. This would include improving on the number of employers using ESS and the quality of data sent in by them.</p> <p>Currently there are approx. 50% of employers using ESS, the target is to be close to 100% with very few exceptions.</p>	Less efficiency, more prone to errors, insufficient or incorrect data can lead to incorrect calculations of pension benefits and payments.	<p>The Acting Pensions Benefit Manager should continue to put emphasis on employer engagement so that there are more employers signed up to ESS and also to improve the quality of data they send in.</p> <p>It has been agreed to help achieve this there will be a change to the role of one person in the Data Quality Team to concentrate just on employer engagement and training.</p> <p>The role is starting on 18 January and they will be putting together a plan shortly of what they will be focusing on.</p>	TO BE COMPLETED & AGREED – REPORT STILL DRAFT