

**Draft** Internal Audit Report  
Confidential

**Pensions Admin  
(Benefits & Lump Sum Payments)**

January 2017

## 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	Ensure that Member and beneficiary benefit and lump sum entitlements are accurately calculated.
Excellent	Ensure that all transactions are recorded in accordance with The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014.
Good	Ensure that benefits and lump sums are processed and paid in accordance with the schemes timescales.

## Detailed Report

### Opinion:

Internal Audit has undertaken a review of the risks and controls related to Pensions Admin and assessed the framework of internal control at Level 5. A total of 1 audit recommendation is 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:

The Avon Pension Fund is administered on behalf of its employer members by Bath and North East Somerset Council. The Pension Administration team focuses on providing:

- pension calculations for members
- timely payment of benefits to its members
- accurate information about the pension fund
- support and training to employer organisations in the scheme

Employee contributions and the employee pension payable by the LGPS are different. Often people think that their contributions equal their pension - but employee payments are just "a contribution" towards the cost of the pension scheme.

Employee pension benefits are worked out using a defined formula. This formula is used to work out every year what an employee's pension will be when they retire. Their contributions are a percentage of their pay, which are deducted from their salary every month and paid to the Avon Pension Fund, along with a contribution from their employer.

As stated these contributions go into the Avon Pension Fund, from which the pensions are paid to those drawing their pension. Contributions pay for the cost of the scheme (including paying out pensions and paying death in service grants).

This audit focussed on pensions administration, in particular the calculation of member benefits and lump-sums. The testing carried out to check 'accuracy of calculations' was performed by checking that the Altair records for a sample of members requesting quotations (for a variety of scenarios including standard and early retirement), or members actually retiring, had been accurately input, checked and authorised in accordance with relevant form/documentation. This was linked to the earlier review of Altair which tested the controls for the management of standing data and background calculations. This forms part of a wider remit, and other pension administration tasks will be reviewed separately in accordance with the agreed audit plan, including a more detailed review of calculations by checking the calculations produced by Altair.

### We identified the following strengths:

- The Workflow Tasks set up for both active and deferred member benefit and lump sum calculations have been accurately configured in accordance with the scheme's rules and service level agreements.

## Draft Internal Audit Report – Pensions Admin

- A sample of 5 active leavers and 5 deferred leavers was reviewed and confirmed to have been accurately input into Altair and therefore producing accurate benefit/lump-sum calculations.
- There is an adequate separation of duties between the processing and approval of member benefit and lump-sum payments.
- All member and beneficiary transactions/records are retained in accordance with The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014.

### We identified the following weaknesses:

- Pension fund statistics confirm that for the month of November 2016, actions regarding the calculation of benefits and/or lump sums were only completed in accordance with the prescribed Service Level Agreement timescales 35% of the time overall.  
This includes:
  - Retirement quotes for active members were processed within 5 working days of receiving necessary information 20% of the time
  - Retirement payments for active members were processed within 5 working days of receiving necessary information 43% of the time

### Audit & Risk Personnel:

Lead Auditor: Sue Bressington

### Acknowledgements:

Sincere thanks to Kathryn Shore, Vicky Brasier and all service staff for their help and assistance provided throughout the Audit review.

**Draft Internal Audit Report – Pensions Admin – 16-020B**

**ACTION PLAN**

<b>MEDIUM RISK EXPOSURE</b>				
	<b>Weakness Found</b>	<b>Implication or Potential Risk</b>	<b>Recommendation(s)</b>	<b>Responsible Officer Management Comments Implementation Date</b>
<b>M1</b>	<p><u>Reporting of Pension Fund Performance Statistics</u></p> <p>The November 2016 Task Report that is reported to The Pension Committee records that overall performance for processing benefits and lump sums had only been completed within the prescribed timescales 35% of the time.</p> <p>More detailed analysis includes:</p> <ul style="list-style-type: none"> <li>• Retirement quotes for active members were processed within 5 working days of receiving necessary information 20% of the time</li> <li>• Retirement payments for active members were processed within 5 working days of receiving necessary information 43% of the time</li> </ul>	<p>Non-compliance with the Pension Fund's Service Level Agreement timescales.</p> <p>Members may be kept waiting to receive important information regarding their retirement funds longer than expected which may lead to complaints.</p>	<p>It is noted that the Pensions Committee expressed concerns at the last meeting (9th December) regarding the downward trend in achieving key performance indicators and targets, and suggested this could be due to staffing levels.</p> <p>The Member Services Manager and Pensions Manager should review and discuss the results of recent reports, and establish and record the reasons for the downward trend.</p> <p>It is also recommended that the statistics are presented in a comparative way such as; month in month or year on year, in order that trends (both upward and downward) can be easily identified and reviewed, and any issues addressed.</p>	