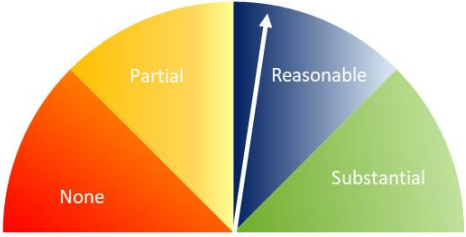


# Pensions Administration 2018/19

## Final Report

Issue Date: 30 April 2019

# Executive Summary

Audit Opinion		Recommendation Summary	
	<p>The assurance opinion we have been able to offer in relation to this audit is <b>Reasonable</b>.</p> <p>Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>	Priority	Number
		<b>Priority 1</b>	<b>0</b>
		<b>Priority 2</b>	<b>3</b>
		<b>Priority 3</b>	<b>5</b>
		<b>Total</b>	<b>8</b>

## Audit Conclusion

A total of three priority 2 recommendations and five priority 3 recommendations have been made. A summary of the audit recommendations made is below:

**1. Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.**

Two priority 2 recommendations and four priority 3 recommendations have been made for this area. The two priority 2 recommendations relate to addressing the high backlog in the team, the implementation of Key Performance Indicators (KPI) and a quality framework so the productivity and quality of the work being completed can be better monitored and managed.

The four priority 3 recommendations relate to reviewing the templates received from employers, ensuring there is an audit trail for amendments made on member files, and clearing the high value in the suspense account. A recommendation has also been carried over from last year's audit which is the reconciliation between the SAP payroll system and Altair.

**2. Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject.**

One priority two recommendation has been made in this area which relates to retaining client information for longer than required.

Although there are a number of recommendations, a reasonable assurance opinion has been offered in relation to this audit as the Management Team of the Pensions Fund had a high awareness of the current issues and have a number of projects underway or planned to improve the controls. This includes the implementation of i-connect, member self-service, Docmail, as well as undertaking an end-to-end review of the process to identify inefficiencies.

## Background

As part of the 2018/19 Internal Audit Plan for Wiltshire Council, an audit has been undertaken to assess the effectiveness of the controls in the end to end process for the administration of The Wiltshire Pension Fund. The audit reviewed the process from new member enrolment in the scheme through to payment.

The Wiltshire Pension Fund administer the Local Government Pension Scheme (LGPS) on behalf of over 190 participating employers, including Councils, Schools, Police and Fire Authorities, other public bodies, charities and private sector companies. As at 31 March 2019, total membership was reported at over 73,000 (including active, deferred members and pensioners) with holdings of over £2.5bn of investment assets.

## Corporate Risk Assessment

### Objective

To ensure key controls are operating effectively for the administration of the pension fund.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.	High	Medium	Medium
Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject.	High	Medium	Medium

### Scope

The scope of the audit included the following:

- New scheme members and enrolment
- Contribution collection
- Payments
- Monitoring and reporting
- Complaint handling
- GDPR compliance

The scope did not include the investments processes or processes in place at third party organisations such as employers.

# Findings and Outcomes

## Summary of Control Framework

The Pension Fund have a number of effective processes that ensure the process is well controlled and have made good progress in addressing some of the control weaknesses.

**1. Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.**

All new scheme members are enrolled in to the scheme correctly and in line with process, payments from the Pension Fund are appropriately authorised and reviewed. All complaints are fully recorded and monitored in line with the complaints policy.

**2. Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject.**

The lawful basis for processing personal data and obtaining consent is supported by effective operational and management processes. Processes and procedures are well documented and support compliance with the GDPR including breach notifications and subject access requests.

<b>1.</b>	<b>Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.</b>	<b>Medium</b>
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<b>1.1</b>	<b>Finding and Action</b>
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<b>Issue</b>	<b>Risk</b>
There is a workload backlog within the team, and individual team members productivity is not being monitored.	Reputational risk if correspondence or documentation is not received in a timely manner. Risk of fines if legislative timeframes are not met.

**Findings**

There is currently a high volume of backlog within the team and the Head of Pensions Administration and Relations has developed an Improvement Plan to reduce the volume, this was presented and approved at the Wiltshire Pension Fund Committee meeting on 14 March 2019. Whilst the Management Team is aware of the size of the backlog, there is currently no time allocated for the completion of each task, so it is difficult to quantify the time it would take to clear.

There are also no KPI's in place for individual team members, or a framework for monitoring the productivity of team members. Performance reviews are also not occurring consistently making it difficult to identify any capability and capacity issues or bottlenecks in the process and could also potentially lead to staff performance issues.

<b>Recommendation</b>
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1. We recommend that the Improvement Plan be put in place, as intended, to prioritise the workflow and reduce the backlog of work.	<b>Priority Score</b>	2
<b>Agreed Action</b>	<b>Timescale</b>	31 March 2020
Officers will follow the details of the Data Improvement Sub Plan to aim to reduce down work in the identified areas of deferred benefit processing and aggregation to business as usual levels.	<b>Responsible Officer</b>	Andy Cunningham

<b>Recommendation</b>
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2. We recommend that KPIs are developed at an Individual and Team Manager level so performance and productivity can be monitored. A quality review system should also be developed which feeds into the KPIs.	<b>Priority Score</b>	2
<b>Agreed Action</b>	<b>Timescale</b>	31 December 2019
Officers will develop reporting capabilities to produce details of processing volumes at an individual level. Work on this area was already planned and has already begun.	<b>Responsible Officer</b>	Andy Cunningham

1.2 Finding and Action		
Issue	Risk	
Information received from employers is not always complete or protected.	Incomplete, inaccurate or unprotected data is received which could impact on the efficiency of the pension administration process and could also lead to inaccurate data being held for the member.	
Findings		
<p>The new enrolments process is very manual and relies on accurate and timely information being emailed from employers on a spreadsheet. The spreadsheets contain personal details about the member and the information received is not always being password protected or encrypted by the employer. Also the information received is not always complete or in the required format which impacts on the efficiency of processing. There are also a number of spreadsheets used within the team which are manually edited to enable the data to be uploaded on to the system.</p> <p>A contract has recently been agreed with i-Connect which will automate key steps in the process. This will give employers the ability to log in to provide the relevant information for their employees and the i-Connect system will then prompt the employer if required information is missing. i-Connect will also complete a monthly reconciliation of starters and leavers. It is therefore anticipated that this system, when implemented, will address the issue and risk identified.</p>		
Recommendation		
<p>As full implementation of the i-Connect system is several months away, we recommended that in the interim:</p> <ul style="list-style-type: none"> <li>• A review of the current templates in use is completed to ensure that only relevant data is requested and the template framework is not editable;</li> <li>• A review of the feedback process is undertaken for when employers are not complying (for documentation and late payments); and</li> <li>• Ensure employers are aware of their GDPR responsibilities.</li> </ul>	Priority Score	3
Agreed Action	Timescale	<p>I-connect: Implementation to start by end of 2019</p> <p>Other items: End of June 2019</p>
Officers will continue to work to implement I-connect and to feedback to employers on correct completion of the template and to remind them of their GDPR responsibilities.	Responsible Officer	Andy Cunningham

1.3 Finding and Action		
Issue	Risk	
Lack of an audit trail for member personal details amendments.	Incorrect information being held, privacy breaches and potential for fraud if personal information is changed without a clear audit trail.	
Findings		
One of the sample selected did not have a clear audit trail on the record to verify why an address change was made. It is likely the member had advised of a change of address via telephone, however there are no notes on files to confirm this. The address had been updated on Altair and documentation sent to the member. A separate similar occurrence was also noted on the Privacy Breach register.		
Recommendation		
We recommend that a process is put in place to ensure that an audit trail of amendments is evidenced on the members file record. For example, inputting case comments that the address change was made following a telephone call from the member and after validation completed.	Priority Score	3
Agreed Action	Timescale	31 July 2019
Officers will review the process for address changes and put in steps to make sure it is followed consistently.	Responsible Officer	Andy Cunningham

1.4 Finding and Action		
Issue	Risk	
There is a large unallocated balance in the suspense account.	Difficulty clearing transactions and also potential for fraud if a large value is left unallocated in the suspense account.	
Findings		
The Suspense account, as at March 2019, has an unallocated amount of just under £770,000, with the oldest transaction in the account being from November 2013. Transactions will be more difficult to clear as time passes, especially if there is minimal documentation as to why the transaction was initially placed in the account.		
Recommendation		
We recommend that the suspense account is reviewed and cleared.	Priority Score	3
Agreed Action	Timescale	30 April 2019
<p>The suspense account is made up of contributions received from employers who are still in the process of signing an admission agreement.</p> <p>We have reviewed the suspense account, and have now had notification from the member of staff responsible for employer relations that several more admission agreements have been signed. Therefore we have now been able to clear £588k from the account.</p> <p>Going forward, we will create new employer codes and begin posting contributions received there as soon as a rates and adjustments certificate is received from the Fund actuary. This will minimise the balance being built up in the suspense account while we are waiting for admission agreements to be signed.</p>	Responsible Officer	Jennifer Devine



1.5 Finding and Action		
Issue	Risk	
Reconciliations to ensure accurate data is held is not being completed on a frequent basis.	Information is held on different systems that does not match or is inaccurate.	
<b>Findings</b>		
There is currently no reconciliation between Altair and the General Ledger being completed. This was a recommendation raised in last year's report with a due date of December 2019 and will therefore be carried over In this report.		
There are several reconciliations being completed on a varying frequency basis to ensure data held is accurate and complete. Some reconciliations are being performed annually which would benefit from being completed on a more frequent basis. For example, reconciliations of new starters are being completed annually and there is a risk that the team is not notified of a new starter. The new member would not receive, or return, the relevant documentation (i.e. expression of wish form).		
<b>Recommendation</b>		
1. We recommend that a full reconciliation be undertaken between Altair and SAP Payroll. This recommendation is carried over from last year's audit report.	Priority Score	3
<b>Agreed Action</b>	Timescale	1 December 2019
A full reconciliation between Altair and SAP Payroll will be completed.	Responsible Officer	Andy Cunningham
<b>Recommendation</b>		
2. We recommend that the reconciliations currently being completed are reviewed as part of the efficiency project to ensure they are accurately capturing key risks in the process and the frequency they are being undertaken is sufficient.	Priority Score	3
<b>Agreed Action</b>	Timescale	I-connect implementation: Start by 1 August 2019. End to end process: 31 December 2019
Officers will review and enhance reconciliations as part of end to end process review (efficiency project) and, more significantly, the introduction of I-connect will enable a number of reconciliations (such as new starters) to occur monthly.		Andy Cunningham

<b>2.</b>	<b>Non-compliance with GDPR due to ineffective operational and management processes resulting in fines, loss of reputation and potential consequence for the data subject.</b>	<b>Medium</b>
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<b>2.1</b>	<b>Finding and Action</b>
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Issue	Risk
Personal Information is being kept for longer than required.	Breach of the GDPR if information is held for longer than required.

<p><b>Findings</b></p> <p>Under the right to erasure, the GDPR sets out under the storage limitation principle that information can only be kept for as long as required. If there is no legal or justifiable reason to hold the information the organisation must delete it. This is especially relevant to the leavers – no liability group of records, of which there are over 21,000. Data cleansing is not currently being carried out.</p>
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<b>Recommendation</b>		
We recommend that the Fund liaise with the Information Governance team to help develop a plan to meet the GDPR requirements. The Fund needs to keep documented notes of the steps they are taking to meet the GDPR.	Priority Score	<b>2</b>

<b>Agreed Action</b>	Timescale	31 May 2019
The Fund will contact Information Governance to agree on an appropriate approach and will produce and maintain any additional documentation IG deem necessary.	Responsible Officer	Andy Cunningham

## Other Suggestions

Currently every calculation that leads to a payment is peer reviewed. This does not take in to account the amount to be paid and / or the experience of the staff member. A suggestion is therefore being made to review if this is appropriate and required or if a tiered system or other quality checks would be more efficient.

The mailing process is also inefficient and not cost effective. There are approximately 500 new member enrolments received each month. Once the member is entered on to the system, a new client pack is posted to them. This pack is currently being manually printed and therefore is a time consuming and costly process. A new Docmail system is due to be implemented and therefore the suggestion is to ensure the inefficiencies in the process have been resolved following the implementation.

# Audit Framework and Definitions

## Assurance Definitions

<b>None</b>	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Reasonable</b>	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Substantial</b>	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

## Definition of Corporate Risks

Risk	Reporting Implications
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

## Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

# Authors and Distribution

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