

Wiltshire Council

► Administration of Pensions

Issued to: David Anthony
Head of Pensions

Catherine Dix
Strategic Pension Manager

Michael Hudson
Associate Director Finance

Carolyn Godfrey
Corporate Director

Gerry Cox
SWAP Chief Executive

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Issued by: Suella Coman
Audit Manager

Neil Seymour
Lead Auditor

Administration of Pensions

Management Summary

Under the Local Government Pension Scheme (LGPS) Wiltshire Council administers pensions for eligible authorities across the county. Wiltshire Council administers the Wiltshire Pension Fund (WPF) and is one of the 148 Employer organisations which are members of the Fund. Swindon Council and Wiltshire Council are the two largest employers organisations of the Fund. The Fund has seen a further increase in Member bodies during 2013-14 predominantly from the ongoing formation of Academy Schools which have the right of automatic membership.

The Fund has around 21,600 employees currently contributing to it while the number of retired employees receiving regular payments is 13,700. The Wiltshire Pensions Funds assets were valued at £1,645 million as at 31st March 2014.

Pension records are maintained on the council's Altair system by the pensions administration team and payments are made through the SAP payroll system by the pensions payroll team. A Guaranteed Minimum Pension (GMP) Review is currently being undertaken by a pensions project team to address issues that have been identified with GMP administration.

Summary of Significant Corporate Risks

The following table records the inherent risk (the risk of exposure with no controls in place) and the manager's initial assessment of the risk (the risk exposure on the assumption that the current controls are operating effectively) captured at the outset of the audit. The final column of the table is the Auditors summary assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Areas identified as significant corporate risks, i.e. those being assessed as 'high' or 'very high' risk areas in line with the definitions attached should be addressed as a matter of urgency.

Risks	Inherent Risk Assessment	Managers Initial Assessment	Auditors Assessment
R1: Poor procedures lead to poor administration of the County pension scheme.	Medium	Medium	Low
R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.	Medium	Medium	Medium
R3: Payments are not made promptly and customer service is poor.	Medium	Medium	Medium

Summary of Significant Findings

There were no significant findings identified during this review.

Further details of audits' findings can be viewed in the full audit report, which follows this Management Summary.

Conclusion and Audit Opinion

▲★★★ **Reasonable**

I am able to offer reasonable assurance as 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.

Whilst the service is actively reviewing procedure and guidance notes, further updating is still required to ensure all processes and procedures are fully documented. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

According to policy, the Pensions Team administration staff should have read-only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

Although pensions system and payroll reconciliations are being carried out, these were not always performed monthly. Action plans from pensions administration and payroll liaison meetings and service complaints identified need to be managed more pro-actively. Performance measures required updating and better monitoring.

The above assurance opinion reflects the fact that the Pensions team have implemented a number of improvements to processes. The recommendations and ensuing actions will further strengthen the controls of the overall system and support the development of the GMP project.

Objectives & Risks

The key objective of the service and risks that could impact on the achievement of this objective were discussed and are identified below.

Objective: To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

Risks:

- R1: Poor procedures lead to poor administration of the County pension scheme.
- R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.
- R3: Payments are not made promptly and customer service is poor.

Method & Scope

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

To ensure that Pension Records and Payments are administered by the Wiltshire Pension Fund in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

Findings

The following paragraphs detail all findings that warrant the attention of management.

The findings are all grouped under the objective and risk that they relate.

1. Risk: R1: Poor procedures lead to poor administration of the County pension scheme.

1.1 Membership of Professional Bodies

The key managers and senior staff in the Wiltshire Pensions Fund (WPF) Team are all required to be members of a relevant professional body or are studying to gain a relevant qualification. Membership is a requirement of the posts, however, the individuals maintain their CPD in line with their organisation's requirements and it is not a requirement to demonstrate this to the Local Authority. The individuals pay their own subscription fees and these are not reimbursed by the Local Authority.

Pensions administration is a complex process and there is a requirement for high technical competence and accuracy to comply with HMRC regulations and therefore senior and key staff are encouraged to achieve and maintain an appropriate professional qualification.

1.2 LGPS Rules and Regulations

For LGPS rules and regulations the Wiltshire Pensions Service uses a detailed spreadsheet covering the main procedures for the pensions benefits team. The Pensions Benefits Manager updates the procedures and there are numerous regulations which the Compliance & Technical Manager checks that these are reflected in the pensions Procedures spreadsheet.

The council is advised of changes in LGPS rules and regulations through GAD guidance being issued, updates from DCLG, The Pension Regulator, HMRC updates, LGE updates, and consultants briefing papers. There are many sources of legislation for which the Compliance & Technical Manager acts as gatekeeper and consolidates all these sources and directs managers to where actions need to be taken.

1.3 Pension Transfers

The process for recording and reconciling transfer values into and out of individual pension schemes was reviewed by audit. The Pensions Benefits Team are notified from previous pension providers and enter the details in a spreadsheet to advise the Accounting Technician who checks this income on the Wilts Pension Fund bank statement and records receipt on the spreadsheet and reconciles the records input in Altair (pensions database) to the amount in SAP.

The Benefits Team calculate what the income amount is worth in the WPF. There can be delays between receiving notification and income and the Benefits Team will have to chase the previous provider and calculate additional charges e.g. lost interest. The income received in the WPF bank account has to be transferred to the current account in SAP and the detail input in Altair. This is subject to regular reconciliation and reconciliations appear in Sharepoint. Whilst the reconciliation process is documented for transfers out, there is no procedure documentation to describe the reconciliation for transfers into the WPF (Transfers In).

The 'Transfer and AVC Notifications' spreadsheet identifies information input by Benefits Team and the Accounting Team. The spreadsheet is in Sharepoint under Transfers and Income Pending. The latest 'Transfer and AVC Notifications' spreadsheet was reviewed and this showed that the monthly reconciliations for 2014-15 have been carried out regularly and checked and authorised

by the Fund Investment & Accounting Manager.

1.3a I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.

1.4 Payment Protocols

Guidance notes for Pensions Benefits Team Officers to use for pension payment transfers require further updating. This is acknowledged in the summary of procedures available on Sharepoint. There are work flow diagrams for the Benefits Team Officers to use as a guide in the Altair system. However, the original guidance notes provide more detail. To be effective they need to be further updated and aligned to the current, work flow processes.

1.4a I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.

1.5 Scheme Administration Costs

The cost of administering WUC Pensions is identified in the authorities' accounting structure. The salary of staff on-costs along with some internal recharges and external income are within SAP company 1000 cost centre 98000. This is required as the WPF administers the Fire Uniform scheme which is not part of the LGPS so costs need to be kept separate.

In SAP company 2000, there are cost centres 98001 and 98002 for investment related costs and administration. These codes also include the recharges from 98000 in company 1000. The Final Accounts on Sharepoint show that WPF Admin and processing costs total £1,165k for 2013-14. The costs for each of the pension funds are apportioned and allocated according to size although some costs have to be specifically charged to employers that generate additional expenditure.

1.6 Benchmarking

The Wiltshire Pension Fund (WPF) joined the CIPFA benchmarking club in 2010 with the intention to gain a better understanding of how WPF's service compares to those of its peers. The club compares the Fund against the other 52 LGPS authorities within the club.

The latest CIPFA Pensions Administration Benchmarking Club 2013 report was presented to the WPF Committee as an appendix to the Pension Fund Benchmarking Update report in December 2013. This update highlighted that there are differences between how pension administration is set up among the authorities, the WPF is a single team covering administration, accounting and investment activities whereas most authorities still include administration within their payroll section with the accounting and investments functions separate within their finance teams. Also the allocation of overheads can be treated differently between authorities.

The benchmarking survey confirmed that the WPF was broadly in line with other LGPS schemes in terms of work being processed. The areas where WPF costs were higher were stated to be a reflection of the proactive approach being taken in respect of communicating with members, improving its ICT capabilities and monitoring and managing its liability risks through its work with the actuary.

1.7 Workflow Processes and Procedures

Audit reviewed processes followed by WPF Benefits Team Officers in relation to GMP tasks and processes carried out by Payroll Officers following instructions from the WPF Benefits Team. The review of GMP tasks revealed that procedure notes need to be further updated.

Audit Note: Evidence of the procedures being reviewed was subsequently provided to audit. The updating is ongoing and is reflected in the recommendation made. See also 2.1 below.

The communications between WPF Benefits Team and Payroll allow actions to be carried out in a timely manner and provide a good audit trail. Changes have been implemented to allow working from home and WPF management note that this has brought with it some required benefits such as:

- documents are easily available
- documents do not go missing
- documents are held confidentially (driven by a clear desk policy).

Other than this, Audit is unable to assess the effects of these improvements because it is not known what processes were in place before. Also, Audit is unable to measure the effects because WPF is not able to provide base line data against which to measure.

1.7a I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.

2. Risk: R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.

2.1 GMP Processes

There is a defined process for determining the GMP by which the Pension Benefits Team officers follow the work flow processes that are set up in Altair. They carry out the prescribed tasks and check them off against the work-flow charts. These are then checked by a second officer. There are procedure notes for some of the GMP tasks that were created prior to work flow processes and these now require updating. There are some tasks for which there are not procedure notes and this is being looked at by the GMP Project Team. Again, as in 1.7 above, these are currently being reviewed and updated but the process is ongoing.

2.1a I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application.

2.2 GMP Advice

There is a process where applications made for GMP advice from DWP are monitored through to receipt. The Pensions Team requires advice from DWP about GMP in some cases. The Altair work flow processes require input by the user where the advice is required. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

Reports run from Altair at the request of Audit showed that pensioners with pre 1997 service and CA1629 indicator was not ticked listed 6421 members. The CA1629 indicator relates to Statement of Pension Liability. Where WPF are waiting to receive a CA1629 notification from HMRC they use the GMP value held on Altair although outstanding requests are not monitored.

HMRC are starting an exercise whereby pension funds will have the opportunity to go on line and check values. From April 2016 the HMRC will not cover the differences i.e. what is on the pension fund's records will stand and the pension fund will have to cover the cost. Although this is relatively small it is difficult to assess the impact without making all the corrections (the scale of which is unknown) and it could be positive or negative for the WPF. There is a note in the Final Accounts that refers to the GMP.

2.3 Reconciliations (Altair - SAP)

Audit verified that reconciliations should be performed by WPF for every month to affirm the value paid by Payroll matches the value expected to be paid from records held in Altair. However, although it is evident that reconciliations are taking place, these reconciliations have not always been carried out on a monthly basis and can sometimes result in two months being reconciled at the same time. Additionally, there were no procedure notes to explain how the reconciliation is done.

2.3a I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes.

2.4 Reconciliation Review

Pensions system reconciliations are carried out by the Team's Accounting Technician and later checked by the Accounting Manager. However, examination of the SharePoint records for the current financial year found that the separation of duties and actual reconciliation dates could not be clearly demonstrated. Audit asked if a checklist of all reconciliations is used to ensure they are performed at scheduled times and on a timely basis. A list of reconciliations was presented but not a checklist designed for monitoring timely completion.

2.4a I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis.

2.5 Mortality Screening

The WPF Team have been notified about a pensioners continued right to receive payment in three ways:

- life certificate exercise
- by using an external company (Target) for mortality screening
- notification of annual NFI data matches which are then investigated.

2.6 There are approximately 60 WPF pension members living abroad. The use of Target allows the life certificate exercise to be more targeted, i.e. looking at those who Target believe are deceased but WPF also continues with life certificates for overseas clients.

2.7 Second Person Checking

The procedure for calculating and establishment of pension payment is subject to second person checking. When the Notifications go to Payroll they are printed showing the name of the WPF officer who set up the record and who checked it with dates. These are emailed to Payroll by WPF Manager. The 'set up' name and date is generated on the Notification Form by Altair and the 'checked by' name and date is typed in by the WPF officer. Examination of an audit sample of five Pensions Notification forms confirmed that these all showed the names and dates of the two persons who set up and checked the records.

2.8 Annual Life Certificate Process

The WPF Team carried out a life certificate process around two years ago but this was found to be time consuming. An external company (Target) has now been engaged to trace the whereabouts of pension members and their next of kin to establish their mortality.

2.9 Dependent's Pensions

Pensions check that short term and long term pensions are implemented by Payroll. This is carried out by the Accounting Technician (Pensions) who does a monthly reconciliation to make sure the widow(er)s dependent pensions are reduced down to 50% following the death of the pension member. Reconciliation involves taking new members from Altair where the status has become 'dependent' and checking the amount they are paid in SAP has been reduced down to the amount stated in Altair.

3. **Risk: R3: Payments are not made promptly and customer service is poor.**

3.1 Systems Access

The Pensions Team administration staff are supposed to have read only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

3.2 Payroll and Accounting Controls

It was confirmed that Pensions Payroll run to run controls are reviewed and signed off by a senior officer for each run. Review of the pensions pay run for August 2014 confirmed that the process was completed correctly.

3.3 The SAP GL is posted as a result of the pensions payroll pay run according to the standard controls applied to all payroll processing. Controls over payroll postings is subjected to reconciliation of the payroll accounts, in this case the pension payroll account by the Corporate Finance Team.

3.4 Audit reviewed how WPF checks on the income that is received from all the contributing bodies / employers and how this reflects what is expected and is posted to the appropriate account in SAP.

3.5 Payroll and Pensions Meetings

Quarterly strategic and operational meetings between WPF and Payroll representatives have been held follow a break during the second half of 2013 whilst a new Pensions Manager was appointed. Audit reviewed the minutes from these meetings that took place during 2014. The notes from the operational meetings identified some issues regarding service provision and references to customer complaints that required further investigation. However, the action points did not appear specific enough to provide assurance that improvements were being instigated as a result.

3.5a I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation.

3.5b I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.

3.6 Performance Monitoring

The WPF Administration Strategy is published on the WPF Pensions Made Simple website. This states the standards set for employers and for the WPF Team. It also states that the measurements against the standards would be published. However, the Strategy is overdue a review and the Employer Relationship & Fund Development Manager has stated that WPF have not published their own performance results.

3.6a I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis.

The Agreed Action Plan provides a formal record of points arising from this audit and, where appropriate, the action management has agreed to take and the timescale in which the action will be completed. All findings have been given a priority rating between 1 and 5, where 1 is low and 5 is high.

It is these findings that have formed the opinion of the service's control environment that has been reported in the Management Summary.

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p>Objective: To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.</p>					
<p>1. R1: Poor procedures lead to poor administration of the County pension scheme.</p>					
<p>1.3a Reconciliation of transfer monies – procedures are not fully documented.</p>	<p>I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.</p> <p style="text-align: right;"><i>SWAP Ref: 27413</i></p>	<p>3</p>	<p>A procedure is now documented for reconciling Transfers In (account code 729110-111).</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>Completed</p>
<p>1.4a Payment transfer procedures – guidance notes require further updating.</p>	<p>I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.</p> <p style="text-align: right;"><i>SWAP Ref: 27414</i></p>	<p>3</p>	<p>Procedures and workflow have now been updated for both Transfers In and Transfer Out. The workflows are accessible via the procedures matrix and the procedures will be added shortly (when the matrix is available for Managers to update.)</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 June 2015</p>
<p>1.7a Workflow Procedures – procedure notes need further updating.</p>	<p>I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.</p>	<p>3</p>	<p>The procedures continue to be reviewed as part of the development of our GMP project</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 September 2015</p>





Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27417</i>		which is reviewing all related issues within the team.		
There are no significant findings to report					
2. R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.					
2.1a GMP Procedures – processes are not fully covered by procedure notes.	I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application. <i>SWAP Ref: 27418</i>	3	The procedures continue to be reviewed as part of the development of our GMP project which is reviewing all related issues within the team.	Catherine Dix, Strategic Pension Manager	30 September 2015
2.3a Reconciliations (Altair - SAP) – monthly reconciliations were not always performed on a timely basis.	I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes. <i>SWAP Ref: 27500</i>	3	Reconciliations are always completed for new pensioner/new dependents although two months are sometimes completed together. All issues arising are reviewed by the Strategic Pension Manager and Benefits Manager to take any necessary action. In terms of the other accounting reconciliations the Pension Fund Accountant reviews these and are re-saves the file as authorised.	Catherine Dix, Strategic Pension Manager	Completed

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
2.4a Reconciliation Checklist – regular completion needs to be monitored.	I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis. <i>SWAP Ref: 27501</i>	3	Managers acknowledge this recommendation and are currently working on putting a checklist in place.	Catherine Dix, Strategic Pension Manager	30 June 2015
There are no significant findings to report					
3. R3: Payments are not made promptly and customer service is poor.					
3.5a Payroll and Pensions Meetings – action plans require improvement.	I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation. <i>SWAP Ref: 27514</i>	3	The quarterly payroll/pension meetings have only recently been recommenced due to changes in staff. They provide an opportunity to build relationships and have a face to face meeting to discuss any issues. There are currently no major issues but notes of the meetings are kept.	Catherine Dix, Strategic Pension Manager	Completed
3.5b Service Complaints – recording and investigation needs improvement.	I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.	3	All specific complaints are investigated so corrective action can be taken immediately to address any issues. The complaints referred to at the Payroll/Pensions meeting couldn't be specifically identified	Catherine Dix, Strategic Pension Manager	30 June 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<p style="text-align: right;"><i>SWAP Ref: 27515</i></p>		<p>to allow further investigation. Moving forward it's agreed that any complaints made either to payroll or pensions will be captured in sufficient detail to feed back to the relevant team.</p>		
<p>3.6a Performance Measurement – WPF does not publish results.</p>	<p>I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis.</p> <p style="text-align: right;"><i>SWAP Ref: 27516</i></p>	<p style="text-align: center;">3</p>	<p>KPIs are currently being developed within the Pension section. The intention is that we have KPIs that will assist management performance reporting but also provide a basis for reporting to the Wiltshire Pension Fund Committee and to be disclosed in the Annual Report.</p> <p>This is also being developed alongside an update of the Fund's Administration Strategy.</p>	<p>David Anthony, Head of Pensions</p>	<p>30 September 2015</p>
<p>There are no significant findings to report</p>					

Audit Framework Definitions

Control Assurance Definitions

Substantial		I am able to offer substantial assurance as 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.
Reasonable		I am able to offer reasonable assurance as 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.
Partial		I am able to offer Partial assurance 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.
None		I am not able to offer any assurance. 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.

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Corporate Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.

Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.