

**Report to:** Pension Committee

**Date of meeting:** 17 July 2017

**By:** Chief Operating Officer

**Title:** Orbis Pensions Administration Systems Assurance Review

**Purpose:** To provide the Committee with independent assurance of decision-making around the continued use of the existing pensions administration system.

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## ***RECOMMENDATIONS***

**The Committee is recommended to note the conclusions of the Assurance Review conducted by Mazars LLP.**

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1.1 In February 2016 the Committee approved an officer recommendation to enter a new five year contract between East Sussex County Council and Heywood that would enable the continued use of the existing Altair pension administration software.

1.2 Notwithstanding the approval, the Committee has, both at the time and subsequently, expressed concern at the decision-making process leading to the recommendation, notably the extent of information provided to the Committee and the extent of consultation with the Committee during the procurement process.

1.3 As a consequence of the concerns raised by the Committee, Councillor David Elkin who, as the County Council's representative on the Orbis Joint Committee, has responsibility for the services provided to East Sussex by Orbis, requested the Chief Operating Officer to commission an independent assurance review of the officer recommendation to continue to use the existing Heywood system.

1.4 Mazars LLP, who provide specialist internal audit services to the Council, were engaged to undertake the review, with a brief to "undertake an independent and objective review of the Orbis Business Operations recommendation to continue using the existing Heywood Altair Pension Administration System for the East Sussex Pension Fund".

## **2 Independent Assurance Review**

2.1 In addition to a critical review of documentation provided by Business Operations, Mazars also met with a number of staff and stakeholders, both to inform and test their conclusions. A list of staff and stakeholders is included at Appendix II of the Mazars report, and included the Chair of the Pension Committee and the Chair of the Pension Board.

2.2 Mazars issued their report in final draft form on 4<sup>th</sup> July. The report is attached. It currently includes one caveat regarding ongoing work between Mazars and Business Operations to conclude the review of the original cost comparison. It is anticipated that this will have been concluded by the time of the Pension Committee meeting and a final copy can then be presented to members. Mazars are comfortable for the report to be presented to Committee in this way.

2.3 Due to the timing of the review, it was not possible to present the results to the Pension Board at its June meeting. A copy of the report has however been sent to all members of the Board with a request that any comments that Board members wish to make can be input to the Committee via the Chair of the Board. The Committee may wish to refer the report to the Board so that it can consider it formally at its next meeting.

2.4 The overall conclusion of the review (see para 3.1) is:

- *“In summary, based on our review of the information provided and discussions with staff and stakeholders, we believe the Orbis Business Operations team recommendation to the ESPF Board and Committee in February 2017 to continue using the existing Heywood system for the ESPF **appears sound**. This takes into account the current performance of the Heywood system together with the cost, time, disruption and risk of moving to a new system.*
- *However, with hindsight, the Orbis team acknowledge that a **more clearly laid out option evaluation** would have helped stakeholders to better understand the underpinning rationale to continue with Heywood. We have detailed further below an approach that should help when a more formal review of market alternatives is undertaken.*
- *Further, the Orbis team acknowledge that they should have **engaged with stakeholders much sooner** before the need to extend the old Heywood contract and then enter into a new contract. There is an opportunity for the Orbis team to ‘reset’ on this with ESPF Board and Committee members when undertaking the formal review later this year”.*

### 3. Next Steps

3.1 A report has been provided to the Committee by Orbis Business Operations. This is within the confidential section of the Committee’s agenda because it contains commercially-sensitive information. The report asks the Committee to note the current contractual position and to support plans for a market review.

3.2 The Committee is asked to note the conclusions of the Assurance Review conducted by Mazars LLP and to take account of it when considering the recommendations made elsewhere on the agenda.

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