

# Internal Audit Report

## Pension Administration - People, Processes and Systems 2020/21

### Final Report

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Prepared for: East Sussex County Council  
Date: September 2021

## Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

### Report Distribution List

Draft Report:

Paul Punter – Head of Pensions Administration

Sian Kunert – Head of Pensions

Final Report (As per draft report with the following additions):

Ian Gutsell - Chief Finance Officer

Phil Hall - Chief Operating Officer

Pension Board

Pension Committee

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

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### 1. Introduction

- 1.1. The Council (East Sussex County Council) is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the Fund in accordance with regulations of the Local Government Pension Scheme (LGPS).
- 1.2. The governance of the Fund is the responsibility of the East Sussex Pension Committee, and the Pension Board, supported by the Chief Finance Officer for East Sussex County Council. The day-to-day administration of the Fund is provided by the Pensions Administration Team (PAT).
- 1.3. As at 31 March 2020, the Fund comprised 128 scheme employers with 23,835 active, and 31,622 deferred, scheme members. The most recent actuarial valuation of the Fund was carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013, as at 31 March 2019. The valuation found that the funding level has improved from 92% in 2016 to 107% in 2019. In particular, that the Fund's assets and liabilities were valued at £3,633m and £3,386m respectively, a surplus of £247m, compared with a funding deficit of £240m in 2016.
- 1.4. During the financial year 2019/20, the scheme collected £130.4m in contributions from members and their employers, and made pension payments of approximately £125.7m to members who are now pensioners.
- 1.5. This audit has reviewed the controls employed by management in relation to the calculation and payment of pension benefits, transfers to and from the Pension Fund and the collection and recording of pension contributions (incl. contributions from other admitted bodies). Controls over the employer portal (including security of data during transfer) have been reviewed in a separate audit (Pension Fund Information Governance).
- 1.6. This review is part of the agreed Internal Audit Plan for 2020/21.
- 1.7. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

### 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - Payments made to pensioners are correct and on time;
  - Income due to the Fund is received in full and in a timely manner;
  - Clear and effective governance processes exist over pension administration to ensure efficient and effective delivery of the administration service;
  - The funding levels of new and existing employers is appropriate to meet their liabilities;
  - Transactions, data, and outputs from the system are complete and accurate.

### 3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Pensions Administration - People, Processes and Systems (2020/21).** This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

*Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

### 4. Basis of Opinion

- 4.1. We have provided **Reasonable Assurance** over the controls in place for Pension Administration for the following reasons:
- 4.2. Following the previous audit in 2019/20 of this area in which an opinion of minimal assurance was provided, management has taken positive action to address the issues identified and this has resulted in the strengthening of controls in several areas. This has happened during the Covid pandemic and also at a time of significant change within the administration service, including the dissolution of the Orbis Pensions Partnership between East Sussex County Council (ESCC) and Surrey County Council (SCC), and the project to introduce the new East Sussex pension database and MSS website.
- 4.3. In particular, the Hymans data improvement plan has enhanced the quality of data in Altair, and there has been improvement in the process of issuing Annual Benefit Statements to members.
- 4.4. In addition, one of the key issues flagged in the previous audit was the use of manual spreadsheets for the calculation of lump sum and transfer out payments without checking back to the source information held in Altair. We found that the spreadsheets have been discontinued and replaced with the Immediate Payment module. The launch of the second module (Admin to Pay) anticipated for September 2021 should fully address the issue of manual calculations outside of Altair.
- 4.5. Following the last audit, management agreed to perform a review of Altair users' access with a view to restrict access appropriately. A review of access was performed in December 2020 and although the list of users was not comprehensive and excluded some internal and external users, a subsequent full review of access controls and profiles was performed in March 2021 as part of the implementation of the East Sussex Altair and MSS website.
- 4.6. Management advised at the start of the audit about issues they had encountered with reconciling contributions from employers versus what should have been paid, including identification of late payments. Following recent updates and review of documentation in March 2021, the process of reconciling and identifying employers who are defaulting and delaying payments has been completed. However, no penalties have been charged for these to-date. We understand the employers are now being contacted in relation to late or incorrect payments and, when appropriate, these will be escalated to the penalty route in line with the administration strategy. In addition, process notes have been produced to around the task of reconciliation.

- 4.7. Although there are clear improvements and a stronger system of control because of these, there are some areas where further improvements are required, as follows:
- 4.8. As highlighted in last year's audit, some manual calculations are still performed (for pro-rated monthly benefits), and the value entered in Altair. This manual intervention is completed because Altair is currently unable to pro-rate benefit payments where a member is not entitled to a full month's pay. As noted in 4.4, we understand that the soon to be implemented 'Admin to Pay' module will address this issue of manual payments outside of Altair.
- 4.9. Where a risk assessment is performed and identifies a level of risk with the body being admitted, an indemnity or bond is required to meet the level of risk to ensure that the administering authority is not exposed to liabilities in the event of any commercial failure during the life of the admission agreement. Our review found some instances where admission agreements for admitted bodies to the Fund indicated a requirement for a bond, although it was subsequently agreed between parties that these were not required. It is therefore important that agreements are clearly worded, and subsequently amended where requirements change and are agreed, to avoid any confusion and uncertainty over the requirement to obtain bonds. Without this, it may not be clear where bonds are required and they may not be obtained, therefore exposing the Fund to avoidable liabilities arising from potential financial difficulties.
- 4.10. Despite the complexity of the pension administration processes, we noted that although checklists are in place which define key tasks associated with the many different pension administration processes, there are no formal documented procedures which define the end-to-end processes performed by the team. The formulation of procedures was expected to happen as part of the Altair integration but, due to the tight timescales, this was pushed back to mid-2021 onwards.
- 4.11. We identified that some key service standards in the Pension Fund's Strategy document are not being tracked on the monthly scorecards. Where key performance standards are not monitored, this increases the risk that service and delivery levels might drop, resulting in dissatisfaction and reputational damage to the Council/Fund. We understand that management is working to include more KPIs in the new database.
- 4.12. Although acknowledging that checking processes are in place in relation to various pension calculations in order to confirm the accuracy of the calculation undertaken, in reviewing a number of these, we noted there was not always evidence of this checking by another member of the team.

**5. Action Summary**

The table below summarises the actions that have been agreed together with the risk:

<b>Risk</b>	<b>Definition</b>	<b>No</b>	<b>Ref</b>
<b>High</b>	This is a major control weakness requiring attention.		
<b>Medium</b>	Existing procedures have a negative impact on internal control or the efficient use of resources.	7	1, 2, 4, 5, 7, 8, 9
<b>Low</b>	This represents good practice; implementation is not fundamental to internal control.	2	3, 6
<b>Total number of agreed actions</b>		<b>9</b>	

- 5.1. Full details of the audit findings and agreed actions are contained in the detailed findings section below.
- 5.2. As part of our quarterly progress reports to Audit Committee, we track and report progress made in implementing all high priority actions agreed. Medium and low priority actions will be monitored and re-assessed by Internal Audit at the next audit review or through random sample checks.

**6. Acknowledgement**

- 6.1. We would like to thank all staff for their assistance during this review.

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**Detailed Findings**

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p><b>Indemnity from Admitted Bodies</b></p> <p>We reviewed controls over the admission of new bodies into the Fund and identified the following issues.</p> <ol style="list-style-type: none"> <li>For 1 of 5 admitted bodies (N-Viro) tested, clause 9.3 &amp; 9.4 of the signed admission agreement indicated a requirement for a bond of £160,000. The agreement, signed in December 2020, was not accompanied by a completed bond. We understand the bond is not being chased because the contract will be terminated from 1 April 2021. It has later transpired that no bond was actually required in this instance due to a subsequent agreement between all parties (see 'Agreed Action' opposite).</li> <li>Clause 9.3 of the signed agreement with Churchill (which relates to St. Paul's Church of England Academy) required either a bond or a guarantee (where the Administering authority determines that a bond is not required). However, in discussion with the Head of Pensions, we understand</li> </ol>	<p>In both cases, it transpires that bonds were not required despite the agreements indicating otherwise. It is therefore important that agreements are clearly worded, and subsequently amended where requirements change and are agreed, to avoid any confusion and uncertainty over the requirement to obtain bonds. Without this, it may not be clear where bonds are required and they may not be obtained, therefore exposing the Fund to avoidable liabilities arising from potential financial difficulties.</p>	Medium	<p>Significant work has been actioned on admissions to ensure agreements outstanding are resolved and new admissions are managed effectively in initiation. Work in this area includes the production of an outsourcing guide which has been shared with all employers and a training session on this topic took place at the employer forum in Nov 20. Admissions status has been reported quarterly at pensions board and committee meetings to show transparency and progress.</p> <p>The N-Viro contract fails to have a bond in place, which would have been in line with the wording in the signed admission agreement. Prior to signing, all parties agreed that a guarantee from the parent company was appropriate instead of a bond. It appears the admission agreement was not changed to reflect this point prior to signing. The N-Viro contract is due</p>

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	<p>that it had been agreed by both parties that a guarantee would suffice in this instance and no reference to a 'bond' should have been made. To avoid confusion and potential future disagreements between parties, additional care should be taken in wording agreements.</p> <p>In addition, Clause 9.2 of the same agreement refers to the level of risk exposure arising on the premature termination of the service provision or assets by reason of insolvency, winding up or liquidation of the Admission Body, as the sum of '£XXXXXX'. Clearly, this should have provided a specific value to accurately reflect the overall financial risk to the Fund and guarantee required.</p>			<p>for termination and a bond will not be sought to align with the agreement.</p> <p>The fund has recruited into key posts now which means that new admissions are being managed more effectively and process notes to ensure all steps are fully documented will be created to ensure the fund is complete in its actions in this area.</p> <p>In addition, after discussions with legal, the fund has agreed to use a new service through Eversheds for a portal-based approach to admission agreements which will speed up and streamline the process and ensure, where bonds are required, this documentation is created at the outset. This new portal will also improve the fund's ability to communicate with costs associated with admissions due to the flat fee structure for the legal side. Orbis Law will continue to execute admissions for the fund.</p>

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Ref	Finding	Potential Risk Implication	Risk	Agreed Action
	Responsible Officer:	Sian Kunert	Target Implementation Date:	November 2021

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Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p><b>Processing of Changes to Addresses</b></p> <p>Members addresses represent personal data that should be adequately protected. We reviewed the controls for processing changes made to this information to validate that the change was valid and authorised. 10 changes to addresses were tested and we identified the following issues:</p> <ol style="list-style-type: none"> <li>1. Where changes to addresses are made by the Pensions Administration staff, there is currently no independent check (evidenced though a checklist) to confirm that the change is valid or accurate (i.e. that the change is supported by a communication from the member and that it has been input accurately).</li> <li>2. In one instance, a change to address was made on receipt of an email. Where emails are accepted for this purpose, it is not possible for the administration team to check signatures back to documentation held on file to confirm the person’s validity,</li> </ol>	<p>Lack of independent checking of changes to addresses in Altair increases the risk of errors or invalid changes being processed.</p> <p>Where acknowledgement letters confirming address changes are not sent to members following instructions from employers, any incorrect/invalid changes are less likely to be identified.</p>	Medium	<ol style="list-style-type: none"> <li>1. The actions carried out during the period of audit were in line with the procedures set by the Orbis Pensions team managed in SCC. Orbis Pensions did not verify Change of Address for any of the six funds in scope. When Surrey introduced i-Connect, again, they refused to allow a task to be created for the ESCC cases. While disaggregating from Orbis to a sovereign ESCC Pensions function, additional controls were put in place as the ESCC pensions management team were concerned with the lack of a check in this part of the process. In the ESCC version of Altair, which went live in April 2021, address changes created a workflow task (there is no checklist for COA tasks). In addition to the workflow check to confirm the accuracy for the record change, the PAT team always write a letter to the new</li> </ol>

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	<p>as happens where letters from members are received.</p> <p>3. One instance was identified where the wrong postcode was captured on the member record in Altair (TN31), but the correct address was reflected on the acknowledgement letter (TN21) sent after the change was processed. Management has advised that the correct postcode was captured on 2/1/20 and was changed on 24/4/20 to TN31 without any explanation on record.</p> <p>4. Three instances were noted where the addresses had been changed based on employer advice with no evidence on record indicating that acknowledgement letters were sent to the members. Management have since advised that, historically, the Orbis process has been to accept and process all change requests received from employers, without sending acknowledgement to members.</p>			<p>address to verify the details.</p> <p>2. With much of Pensions communications moving towards e-comms we are encouraging members to self-serve via the MSS website. Therefore, we accept COA by email as the MSS system informs the PAT team electronically of the change. Any changes via the portal are secure as the member has already passed the website password security to log-in.</p> <p>3. This item has been corrected.</p> <p>4. Same as point 1, at the time the PAT correctly followed the Orbis process which has since been replaced.</p> <p>5. This item has been corrected.</p>

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	5. One instance was identified where the employer notified the Fund about the change of address, but this was not processed. It is not clear why the change was not processed on this occasion.				
<b>Responsible Officer:</b>		Paul Punter	<b>Target Implementation Date:</b>	Complete	

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3	<p><b>Controls over Changes to Bank Details</b></p> <p>A sample of 10 changes to bank details was tested. In one instance, we noted had a handwritten instruction dated 28/11/19 to transfer the bank account to Nationwide, although the letter did not indicate the new sort code/account numbers. A review of the member’s Altair payroll details indicates the request was processed using a new Nationwide account without the relevant supporting documentation on record. We understand that, in this instance, the documents to support the change were not uploaded to the Altair record.</p>	Where supporting documents are not uploaded to the Altair record, it is not possible to check that bank detail changes are valid and have been accurately input.	Low	This case was valid and updated correctly, but the supporting documents were not uploaded to the Altair record. The team (including the Fund team) have been reminded of the wider importance of only acting once all the appropriate documents have been received & stored appropriately on Altair.
<b>Responsible Officer:</b>		Paul Punter	<b>Target Implementation Date:</b>	Complete

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4	<p><b>Lack of Formal Documented Pension Administration Procedures</b></p> <p>The processes and activities involved in the management of the Pension Fund are complex and involve regulations which evolve over time. In reviewing these processes, we found that:</p> <ol style="list-style-type: none"> <li>1. Despite the complexity of the processes, we noted that there are no documented detailed procedures and/or flowcharts which define the end-to-end processes performed by the team. Examples of activities which require formal procedures include new starters, transfers in, leavers, transfers out, retirement benefit calculations for deferred, active and dependants of deceased members, changes to member details such as bank, addresses, death etc.</li> <li>2. Currently, there is reliance on the use of checklists for tasks performed by the team. The checklists do not provide the team with an overall picture of the links between various tasks, teams, or how</li> </ol>	<p>Where procedures are not formally documented, staff may not be fully aware of their responsibilities and key tasks may not be performed.</p>	<p>Medium</p>	<p>ESCC PAT team have inherited the Orbis processes and agree that processes are not well documented, but the checklists are in place for pretty much all tasks.</p> <p>It would be normal to review the processes and procedures as part of a data migration exercise and it's part of the Aquila Heywood standard project plan. However, due to the project's tight timeline, we had to cut out non-essential activities.</p> <p>It was always acknowledged the work would be looked at post go live over the Summer of 2021.</p> <p>We will create a project plan to review these in August 21 with an expectation to complete many of these this year.</p>

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Ref	Finding	Potential Risk Implication	Risk	Agreed Action
	<p>the processes fit together, including key risks and controls to mitigate these risks.</p> <p>3. From walkthroughs of the processes performed, we also noted that much of the knowledge and experience of team members is 'in their heads' and gained over the years. To ensure consistency and to help new starters, this should be documented.</p> <p>Procedures help to identify gaps in controls and if in place often help to make processes more effective and efficient. They also serve to provide new staff with clear guidance and instruction.</p>			
<b>Responsible Officer:</b>		Paul Punter	<b>Target Implementation Date:</b>	August 2022

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5	<p><b>Altair User Access Review</b></p> <p>Following the previous audit of Pensions in 2019/20, management agreed to perform a review of Altair user access with a view to restrict access appropriately.</p> <p>Our review noted that the review of access was performed in December 2020. However, the list provided for review was not comprehensive and excluded some internal and external users (including Hymans).</p>	Without a complete review of access/profiles, there is a risk of inappropriate and/or unauthorised changes to member records.	Medium	A complete review of Altair user access was undertaken as part of the new Altair database. Every user was reviewed and only a limited number of previous Orbis users now have access to the new East Sussex database. We are working with ICT to create a documented Altair Access Monitoring Process. This will cover Altair, i-Connect, Insights and MSS.
<b>Responsible Officer:</b>		Paul Punter	<b>Target Implementation Date:</b>	Complete

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6	<p><b>Processing of Tasks in a Timely Manner</b></p> <p>1. Five transactions were sampled from the list of outstanding tasks provided as of 2 February 2021. 3 of these had not been resolved at the time of our fieldwork (12 March 2021). 2 of 3 were enquiries about being incorrectly recorded as working part time. In discussing this issue with management, it is clear that a noticeable fall in tasks completed should have been expected during February to April 2021 due to the dissolution of Orbis Pensions and the implementation of Altair.</p> <p>2. In one of the three cases above, the member emailed on 15 January 2020 enquiring about two items; one was addressed and the other was not. As noted above, the issue not addressed reflected the member service period as being part time instead of full time. Subsequently, the member made</p>	Where tasks are not resolved on a timely basis, this increases the risk of members dissatisfaction and might potentially result in reputational damage.	Low	<p>It is important to note on this finding that the PAT team have an agreed set of KPI's which define the timeliness of processing many of the main activities completed by the team. The KPI's are not to achieve 100% within the desired timelines, the KPI achievement target has to date been monitored against a target of 90-95%. The KPI targets are reported quarterly to Committee and Board with explanations on service issues in achieving the targets. The KPI target measures are tighter than the statutory requirements to complete these activities.</p> <p>The KPI's currently in place were a handover from the standard reported Orbis Pensions targets managed by SCC. ESPF defined its own KPI/SLA targets in the 2020 Administration Strategy which went live January 2021 after consultation with Employers in late 2020, however these KPIs were not implementable while PAT was under the Orbis structure.</p>

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	<p>contact again on 19.02.2021 raising the same issue, but at the time of our audit work, the task was still outstanding.</p> <p>As referred to above, it is important to reflect on the potential reasons why these tasks might have slipped, including the dissolution project and the implementation of the new system, all of which has resulted in considerable pressure on the Pension Administration Team. Management have been very vocal to Pension Board and Committee that there would be a noticeable fall in delivery during this period.</p>			<p>In addition to the PAT activity KPI reporting, the team also report Helpdesk monthly performance to the Pensions Board and Committee quarterly.</p> <p>The timing of the audit was unfortunate in that it coincided with the dissolution of the PAT team from Orbis pensions and is not representative of the usual activity, as the team were carrying out dual pensioner payrolls, user acceptance testing and managing the dissolution.</p> <p>The Fund agree that where tasks are not resolved on a timely basis, this increases the risk of members dissatisfaction and might potentially result in reputational damage and this should be monitored as a continual risk but there are no specific actions to address this based on the information noted above.</p> <p>The Fund is continuing to recruit to vacant posts in the team structure as a</p>

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				result of the dissolution and as we continue to get up to establishment, the service we provide our members will continue to improve along with improvements against the KPI's where some areas have dropped while managing the dissolution. KPI's improvements are already being seen.
<b>Responsible Officer:</b>		Paul Punter	<b>Target Implementation Date:</b>	September 2021

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Ref	Finding	Potential Risk Implication	Risk	Agreed Action
7	<p><b>Key Performance Indicators</b></p> <p>Each month, the Pensions Administration team generates a key performance indicator (KPI) scorecard which is reported to the Pensions Committee. This measures actual performance against a set of agreed standards.</p> <p>Whilst 13 activities are currently measured, some key service standards included in the pension’s strategy document are not being tracked, including:</p> <ol style="list-style-type: none"> <li>1. Letters/emails acknowledged within 10 days.</li> <li>2. Changes in member details including bank details within 9 days.</li> <li>3. Calls to the pensions team answered within 3 rings.</li> <li>4. New starters processed within 10 days of receipt of the notification.</li> </ol>	Where key performance standards are not monitored, this increases the risk that service and delivery levels might drop.	Medium	<p>As noted in finding Ref 6 - the KPI’s currently in place were a handover from the standard reported Orbis Pensions targets managed by SCC. ESPF defined its own KPI/SLA targets in the 2020 Administration Strategy which went live January 2021 after consultation with Employers in late 2020, however these KPIs were not implementable while PAT was under the Orbis structure.</p> <p>To monitor against the new KPI activities as per the admin strategy, the Fund has had to request these be built into the ESSC version of Altair after it went live. These have recently been released into the test version of Altair for review. Once these have been tested and loaded to the live system, the Fund will be able to start reporting against these KPI’s. It is anticipated that there will be some reporting difficulties until these KPI’s are fully established, but the Fund will continue to report and explain to Committee and Board during this process.</p>

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				<p>In addition to the KPI targets, the Altair system currently does not indicate the statutory deadlines for tasks, and this is being addressed in the work Aquila Heywoods have been asked to implement for us.</p> <p>All calls should go via the Pensions Helpdesk and their performance is again reported to the Pensions Board &amp; Committee.</p> <p>In addition, Altair Insights has been implemented and the Management information module is live and includes a live performance dashboard.</p>
<p><b>Responsible Officer:</b></p>		<p>Paul Punter</p>	<p><b>Target Implementation Date:</b></p>	<p>September 2021</p>

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8	<p><b>Key Person Dependence/Risk - Updates to Altair Factor Tables</b></p> <p>Our review of processes in place to ensure accuracy of retirement benefit calculations by the Altair system identified a key person dependency within the East Sussex Pensions Administration (PAT) team.</p> <ol style="list-style-type: none"> <li>Currently, only one individual within the ESCC team has responsibility for and can update the factor tables in Altair. At the moment, the alternative resource for this task is from the Surrey PAT. Discussions with the Head of Pension noted that this is a short-term risk and the Surrey team will provide support until the end of June 2021 when it is anticipated that new staff will be recruited.</li> <li>In addition, there is no evidence indicating that there is an independent review of the updates to the factors performed by the individual above.</li> <li>For career average revalued earnings (CARE) benefits, they are revalued annually through updates made to the</li> </ol>	<p>With the transfer of pension administration back to ESCC, should the key individual responsible for updating the factor tables in Altair be unavailable for any reason, there may not be appropriate cover to undertake this function.</p> <p>Without independent checks of the factors uploaded, errors in calculations may not be detected timely.</p>	Medium	<p>We are all aware that following the TUPE transfer we have significant recruitment to undertake.</p> <p>Recruitment is now a priority for the Fund, particularly now support for the project work from Surrey ceased on 30/06/21.</p> <p>Whilst we do currently have a few key person risks, we do endeavour to still have their work checked. As a last resort, the Fund are still able to call on SCC for limited support where SCC can accommodate.</p> <p>The Fund is aware of this key person risk and while recruitment is underway to fill the gaps in establishment from being PAT inhouse this risk is being tolerated. In addition, staff in the team are cross training each other where possible to mitigate this risk. This risk is also included within the risk register reported to Board and Committee quarterly.</p>

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	<p>factor tables in Altair. However, there was no evidence to indicate that the revaluations were subject to independent review to ensure the system calculations are accurate.</p>			<p>When factors are changed and revaluation tables updated, these are communicated to PAT and extra care taken to check the first few cases thereafter to check factors are feeding through cases correctly when processing.</p> <p>A project will be starting in September to carry out a skills matrix to map all PAT skills and identify and gaps and areas of risk to the fund. This will help with development of the team and modify recruitment to vacancies where necessary.</p>
<p><b>Responsible Officer:</b></p>		<p>Paul Punter</p>	<p><b>Target Implementation Date:</b></p>	<p>December 2021</p>

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**Detailed Findings**

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
9	<p><b>Lack of Independent Validation and Retention of Supporting Documentation</b></p> <p>In completing our work, we identified some instances where there was no evidence of checks taking place or supporting documentation on file, including retirement benefit payments and death benefits (dependant pension payments).</p> <p>In terms of the Payment of Death Grant form (TM10), there is no specific checklist on the form for the checker to complete, as there is with other forms.</p> <p><b>See Annex A</b> for details of exceptions identified.</p>	<p>Without independent checks, there is a risk of erroneous payments</p> <p>Where documentation is not retained on member records, this results in inadequate audit trails and potentially invalid transactions.</p>	Medium	<p>As previously stated, we currently have checklists as our key evidence of tasks being checked.</p> <p>The other is Altair itself as work passes from the doing to checkers task list so there is an online audit trail of who has done and checked tasks.</p> <p>We agree that copies of all documents should be retained on Altair and that is our expectation. This has been reiterated to staff across the whole Fund.</p>
<b>Responsible Officer:</b>		Paul Punter	<b>Target Implementation Date:</b>	Complete

## **Annexe A (Lack of Independent Validation and Retention of Supporting documentation)**

### **Retirement Benefit Payments**

- For 1 of 15 payments tested, there was no evidence of an independent check of the annual pension and lump sum calculated.

### **Death Benefits Processing**

- During our walkthrough of processing of a dependant's monthly benefit in Altair, we noted that the pension administration staff performed some manual pro-rated calculations and entered the value in Altair. This manual intervention is completed because Altair is unable to pro-rate benefit payments where a member is not entitled to a full month's pay. This was highlighted in last year's audit. We understand that the new module 'Admin to Pay' will be implemented in Altair to address this issue (it wasn't prioritised with so many other projects ongoing). This will go live from September 21.
- The work performed by the preparer in the above is subject to checking. However, there are no specific checks indicated on the checklist to perform, and the nature of the checks undertaken is not clear.
- 1 transaction tested identified differences in short and long-term monthly pensions payable to the dependant. The calculation worksheet signed by a checker indicated amounts of £1,042 & £570 as short- and long-term pensions respectively. However, final amounts quoted on the final letter sent to the dependant were £1,414 & £755. In addition, the dependant sent in a letter in October 2020 advising that the amounts on the letter seemed higher than expected. There was no independent check performed of the dependant pension payable on this occasion.
- We noted two signatures on a member record with no evidence indicating the second had been validated. The two versions relate to those used before and after marriage. The second signature was used in confirming the member's husband as the nominated beneficiary in event of death.

### **New Starters and Transfer In**

- One instance where there was no evidence of independent check/checklist completed for the transfer in process.

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.