Appendix 3 - Internal Audit Report – Pension Administration - People, Processes and Systems 2020/21

Ref.	Finding	Potential risk implication	Risk	Agreed action	Owner	Target Date
1	**Indemnity from Admitted Bodies**					
	We reviewed controls over the admission of new bodies into the Fund and identified the following issues:	In both cases, it transpires that the bonds were not required despite the agreements indicating otherwise. It is therefore important that agreements are clearly worded, and subsequently amended are required and 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.	Medium	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. 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 for termination and a bond will not be sought to align with the agreement. 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. In addition, after discussions with legal, the Fund have agreed to use 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.	Sian Kunert	01/11/2021 The new employer engagement officer is working on communicating progress in admissions in a more streamlined apprach and working with the governnace team to ensure a detailed robust prceedure in place. We are awaiting the launch of the online portal, although agreeing templates for use. Anticipate the portal and proceedures to be live by 31/12/21
	1. For 1 of 5 admitted bodies (N-Viro) tested, clause 9.3 & 9.4 of the signed addmision agreement indicated a requirement for a bond of £160k. The agreement, signed in Dec 20, was not accompanied by a completed bond. We understand the bond is not being chased because the contract will be terminated from 1 April 21. 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).					
	2. 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, 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 disagreement between parties, additional care should be taken in wording agreements. 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.					
4	**Lack of Formal Documented Pension Administration Procedures**					
	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:	Where procedures are not formally documented, staff may not be fully aware of their responsibilities and key tasks may not be performed.	Medium	ESCC PAT team have inherited the Orbis processes and agreed that processes are not well documented, but the checklists are in place for pretty much all tasks. 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 timeframe, we have to cut out non essential activities. It was always acknowledged the work would be looked at post go live over the Summer 2021. We will create a project plan to review these in August, with an expectation to complete many of these this year.	Paul Punter	01/08/2022 The first process to be reviewed will be the TV-out (including pension scams) and a small team are meeting in County Hall on 6/10/21 to document the current process and prepare a flowchart using Visio software.
	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, change to member details such as bank, address death etc.					
	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 the processes fit together, including key risks and controls to mitigate these risks.					
	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.					
	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.					
8	**Key Person Dependence/Risk - Updates to Altair Factor Tables**					
	Our review of processes in place to ensure accuracy of retirement benefit calculations by the Altair system identified a key person dependency within PAT.	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 appriate cover to undertake this function. Without independent checks of the factors unloaded, errors in calculations may not be detected timely.	Medium	We are all aware that following the TUPE transfer we have signification recruitment to undertake. Recruitment is now a priority for the Fund, particularly now support for the project work from Surrey ceased on 30/6/21. 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. 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. When factors are changed and revaluation tables updated, these are communicated to PAT and extra care taken to check the first few cases therefore to check factors	Paul Punter	Dec-21
	1. Currently, only one individual withinthe ESCC has reponsibility 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 Fead of Pensions 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 hew staffwill be recruited.					
	2. In addition, there is no evidence indicating that there is a independent review of the updates to the factors performed by the individuals above.					
	3. For career average revalued earnings (CARE) benefits, they are revalued annually through updates made to the 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.					

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Ref.	Finding	Potential risk implication	Risk	Agreed action	Owner	Target Date
2	**Processing of Changes to Addresses**					
	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:	Lack of independent checking of changes to addresses in Altair increases the risk of errors or invalid changes being processed. Where acknowledgement letters confirming address changes are not sent to members following insructions from employers, any incorrect/invalid changes are less likely to be indentified.	Medium	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. Whilst 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 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 accuracy for the record change, the PAT always write a letter to the new address to verify the details.	Paul Punter	Complete
	1. Where changes to addresses are made by the Pensions Administration staff, there is currently no independent check (videnced through 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).					
	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, as happens where letters from members are received.			2. With much of Pensions communications moving towards e-comms we are encouraging members to selfserve via MSS website. Therefore, we accept COA by email as the MSS system informs PAT electronically of the change. Any changes via the portal are secure as the member has already passed the website password security to log-in.		
	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 have advised that the correct postcode was captured on 2/1/20 and was changed on 24/4/20 to TN31bwithout any explanation on record.			3. This item has been corrected.		
	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 themembers. 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.			4. Same as point 1, at the time the PAT correctly followed the Orbis process which has since been replaced.		
	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.			5. This item has been corrected.		
3	**Controls over Changes to Bank Details**					
	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 bamk account to Nationwide, although the letter did not indicate the new sort code/account number. 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.	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 oploaded 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.	Paul Punter	Complete
5	**Altair User Access Review**					
	Following the previous audit of Pensions in 2019/20, management agreed to perform a review of Altair users access with a view to restrict access appropriately. 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).	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 ESCC database. We are working with ICT to create a documented Altair Access Monitoring Process. This willcover Altair i-Connect, Insights and MSS.	Paul Punter	Complete
6	**Processing of Tasks in a Timely Manner**					
	1. Five transactions were sampled from the list of outstanding tasks provided as of 2 Feb 2021. 3 of these had not been resolved at the time of our fieldwork (12 March 21).2 of 3 wereenquiries 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 Feb to April 21 due to the dissolution of Orbis Pensions and the implementation of Altair.	Where tasks are not resolved on a timely basis, this increases the risk of members disatisfaction and might potentially result in reputational damage.	Low	It is important to note on this finding that the PAT have an agreed set of KPI's which define the timeliness of processing the main activities completed by the team. The KPI's are not to achieve 100% within the desired timelines, the KPI acheivement 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 acheiving the targets. The KPI target measures are tighter than the statutory requirements to complete these activities. Th KPIs currently in place were a handover from the standard reported Orbis Pensions targets managed by SCC.ESPF defined its own KPI/SLA targets in late 2020, however, these KPIs were not implementable while PAT was under the Orbis structure. In addition the PAT activity KPI reporting, the team also report Helpdesk monthly performance to the Pensions Board and Committee quarterly. The timing of the audit was unfortunate in that it coincided with the dissolution of the PAT 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 dissoultion.The Fund agree that where tasks are not resolved on a timely basis,	Paul Punter	**target 30/09/2021 but went live 13/10/21** The new KPI's have been created by Aquila Heywood and put into the Altair System for review. These have been reviewed by the PAT and some minor changes made. We meet with
	2. In one of the three cases above, the member emailed on 15 Jan 20 enquiring about two items, one was addressed and the other was not. As notede above, the issue not addressed reflected the member service period as being part time instead of full time. Subsequently, the member made contact again on 19/02/21 raising the same issue, but as the time of our audit, the task was still outstanding.					
	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 PAT. Managemet have been very vocal to the Pension Board and Committee that there would be a noticeable fall in delivery during this period.					
7	**Key Performance Indicators**					
	Each month, the PAT generates KPI scorecard which is reported to the Pensions Committee. This measures actual performance against a set of agreed standards	Where key performance standard are not monitored, this increases the risk that service and delivery levels might drop.	Medium	As noted in finding Ref 6 - the KPI's currently in place were a hadover from the standard reported Orbis Pension 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. To monitor against the new KPI activities as per the admin startegy, the Fund has had to request these be built into the ESCC version of Altair after it went live. These have recently been released into	Paul Punter	**target 30/09/2021 but went live 13/10/21** The new KPI's have been created by Aquila
	Whilst 13 activities are currently measured, some key service standards included in the pension's strategy document are not being tracked, including:					
	1. Letters/emails acknowledged within 10 days					
	2. Changes in member details including bank details within 9 days.					
	3. Calls to the pensions team answered within 3 rings.					

	4. New starters processed within 10 days of receipt of the notification.			the test vesion 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. 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. All calls should go via the Pensions Helpdesk and their performance is again reported to the Pensions Board & Committee. In addition, Altair Insights has been implementaed and the Management information module is live and includes a live performance dashboard.		Heywood and put into the Altair System for review. These have been reviewed by the PAT and some minor changes made. We meet with Aquila Heywood 29/9 (postponed from 23/9)
9	**Lack of Independent Validation and Retention of Supporting Documentation**					
	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 (dependent pension payments). 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.	Without independent checks, there is a risk of erroneous payments. Where documentation is not retained on member records, this results in inadequate audit trails and potentially invalid transactions.	Medium	As previously stated, we currently have checklists as our key evidence of tasks being checked. 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. 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.	Paul Punter	Complete