

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    | <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> <p>1. 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 £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).</p> <p>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.</p> | <p>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.</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. 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.</p> | Sian Kunert | <p><b>Original target date 01/11/2021</b></p> <p>A new admissions procedure has been produced. The portal is now available for the Fund to start to use, although functionality is not as sophisticated as anticipated yet. New draft templates have been received by the Fund in January 2022 but will need to be fully assessed to agree replacement of current templates.</p> <p><b>Procedures written December 2021</b></p> <p><b>Portal anticipated to have agreed templates April 2022</b></p> |
| 4    | <p><b>An</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> <p>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.</p>   | <p>Where procedures are not formally documented, staff may not be fully aware of their responsibilities and key tasks may not be performed.</p>  | Medium | <p>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.</p>   | Paul Punter | <p><b>01/08/2022</b></p> <p>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. The "to be" new process was documented on 8/12/21. Letters and checklists to be completed by 31/1/22. Checking IT support and resources before next process reviews begin - priority order is leavers next, then deaths.</p>                          |

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| <p>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.</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>  |  |               |  |                    |   |
| <p><b>8 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 PAT.</p>   | <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. Without independent checks of the factors unloaded, errors in calculations may not be detected timely.</p> | <p>Medium</p> | <p>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 are feeding through cases correctly when processing. 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>Paul Punter</p> | <p><b>28/02/2022</b><br/>Meeting arranged 27/1/22 to review and determine linking Altair profile configurations &amp; permissions with PAT job descriptions. In addition to cover removing all non-ES housekeeping options - define key areas and agree a review plan. New PAT job descriptions have been reviewed by Sian and HR and supporting document created to explain the specialist nature of the service. These will be evaluated by the ES recruitment panel. Once the appropriate gradings are agreed recruitment can be progressed quickly.</p> |
| <p>1. Currently, only one individual within the ESCC 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 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 new staff will be recruited.</p> |  |               |  |                    |   |
| <p>2. In addition, there is no evidence indicating that there is an independent review of the updates to the factors performed by the individuals above.</p>  |  |               |  |                    |   |
| <p>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.</p>   |  |               |  |                    |   |