

PENSIONS COMMITTEE
26 JUNE 2020**INTERNAL AUDIT PLAN and PENSIONS ADMINISTRATION**
INTERNAL AUDIT REPORT

Recommendation

- 1. The Chief Financial Officer recommends that the Pensions Committee comment on and note the Internal Audit Plan (Appendix 1) and the audit of Pensions Administration (Appendix 2).**
2. Detailed in Appendix 1 is the extract of the current Internal Audit plan for 2020/21 to 2022/23 that relates to pensions. Any recommendations from these audit plans are reported to the Audit and Governance Committee and monitored on a regular basis.
3. Attached at Appendix 2 is the recent audit of Pensions Administration which is an extremely positive report and of the 23 examined controls that were assessed 20 were found to be satisfactory and rated green, the remaining 3 were given an amber rating. The report comments:-
 - *It is felt that the stability of the processes and controls within the pension's administration function and the previous substantial assurance audit report provide assurance that risks are being managed and that no additional testing is required on this occasion. The next audit review will be performed on an "inspection" basis and will include substantive operational effectiveness testing.*

Supporting Information

Appendix 1 – Audit Plan 2020/21 to 2022/23

Appendix 2 – Internal Audit report on Pensions Administration 2 June 2020

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Specific Contact Points for this report

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In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

Extract of Internal Audit Plan relating to Pensions 2020.21 to 2022.23

Worcestershire Pension Fund				
Audit Description	Risk(s) being focussed on	High level audit work details and added value / assurance	Indicative Timing (Q1-4)	Days
Pensions Fund	Review and challenge the governance arrangements in place for the Worcestershire Pension Fund	The audit will aim to provide assurance on the governance arrangements in place for the Worcestershire Pension Fund including pooling with LGPS Central Ltd.	TBC	15

Internal Audit Memo

Audit Review: Pensions Administration

Status	Draft
Date	02/06/2020
Lead auditor	Lisa Smith
Operational manager(s)	Linda Probin

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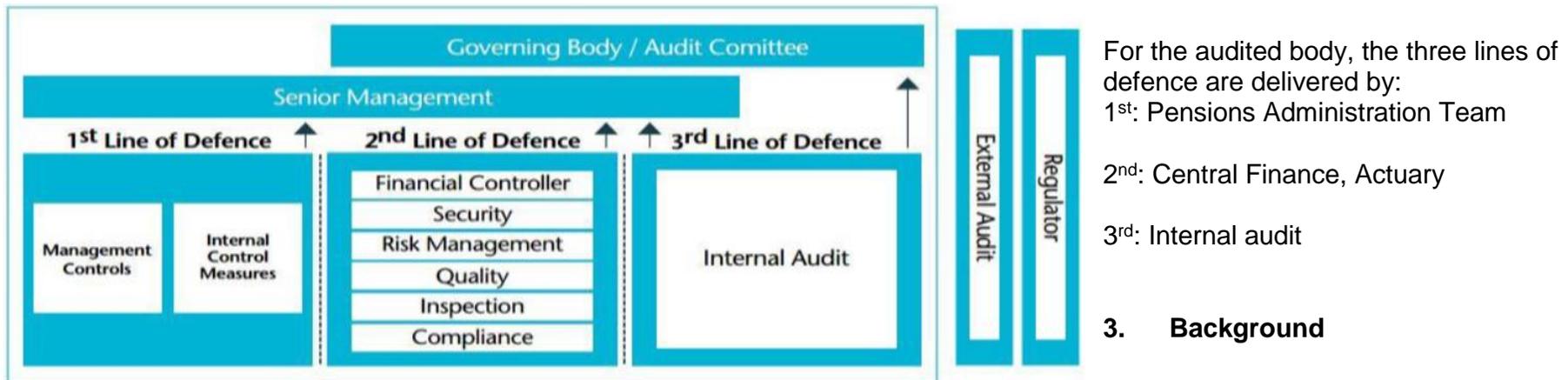
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1. Introduction

The Local Government Pension Scheme (LGPS) is a national public service pension scheme that is administered on a local level. The Worcestershire County Council Pension Fund administers the LGPS on behalf of the Local Government Employers for scheduled and Admitted Bodies in accordance with the LGPS Regulations.

2. Objective and scope

The review has been undertaken to assess the controls in place in relation to the Pensions Administration function and to identify any changes to systems or processes that have taken place since the last full audit was undertaken in 2018/19. Our audit approach is in line with the Three Lines of Defence model in accordance with our approved process.



3. Background

The Pensions Administration function is subject to regular Internal Audit reviews the most recent of which was completed during the 2018/19 financial year covering the following scope areas:

- Processes and procedures covering Admitted Bodies and Academy conversions
- Arrangements for admitting new members to the LGPS including transfers in
- The calculation, collection and receipt of employee and employer contributions
- Processing of Pensions and lump sum payments
- Procedures in place for members leaving the scheme including refunds, transfers out of the scheme and deceased pensioners.
- Information security

The final report was issued on 31 January 2019 and provided substantial assurance that risks were being managed.

4. Methodology

In line with our Internal Audit Engagement Standards, the design effectiveness of the controls in place has been reviewed on an “enquiry” basis meaning no detailed testing was carried out on this occasion. Based on discussion with the Pensions Manager and taking into consideration the previous audit findings the adequacy of the controls was assessed.

The controls specific to the Altair Pensions System were not assessed as part of this review.

5. Observations

As part of the review 23 controls were assessed and given a RAG rating. Of the 23 examined 20 were found to be satisfactory and rated green, the remaining 3 were given an amber rating as additional information would be required to fully assess the effectiveness of the control. These areas will be followed up at the next audit including confirming the action taken in respect of data matches identified by the National Fraud Initiative.

The only significant change since the time of the last audit is the move of the Pensions system, Altair from on-premise to a fully hosted cloud solution and the signing of a new 3 year contract with the software provider Aguila Heywood. The council’s ICT team was involved in the procurement of the solution to ensure adequate controls were included in the contract.

The Actuary has undertaken a Pension Fund Valuation which include a review of the level of bonds held. It is understood that the findings of the report are currently being reviews and consideration is being given to any action required.

It is felt that the stability of the processes and controls within the pension's administration function and the previous substantial assurance audit report provide assurance that risks are being managed and that no additional testing is required on this occasion. The next audit review will be performed on an "inspection" basis and will include substantive operational effectiveness testing.