

Agenda Item	6b
Report No	PC/8/23

THE HIGHLAND COUNCIL

Committee: Pensions Committee

Date: 21 September 2023

Report Title: Internal Audit Report – Pension Fund Payments

Report By: Strategic Lead (Corporate Audit & Performance)

1. Purpose/Executive Summary

1.1 An audit of Pension Fund payments was undertaken and a copy of this report is attached.

2. Recommendations

2.1 The Committee is asked to consider the content of the report, the audit opinion provided, and to raise any relevant points with the Strategic Lead (Corporate Audit & Performance).

3. Implications

3.1 There are no Resource, Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever, Risk, Health and Safety (risks arising from changes to plant, equipment, process, or people) or Gaelic implications arising from this audit report.

4. Internal Audit Reports

- 4.1 The Public Sector Internal Audit Standards requires that the Chief Audit Executive (Strategic Lead (Corporate Audit & Performance)):

“Delivers an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

These requirements have been met by the report provided at **Appendix 1** with section 2 of the report used to inform the Fund’s Annual Governance Statement.

- 4.2 The report has the audit opinion of Substantial Assurance and concluded that there were broadly effective systems in place for the payment of pensions. Some areas for improvement were identified and these can be found in the action plan at section 4. This comprised of 1 medium and 1 low grade recommendation. The low grade was completed at the time, and it has since been confirmed that the medium grade action was implemented as agreed.

Designation: Strategic Lead (Corporate Audit & Performance)

Date: 4th September 2023

Author: Donna Sutherland

Background Papers:

Appendices: none

Internal Audit Final Report

Resources and Finance

Pension Fund Payments

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	1

Distribution:

Head of Corporate Finance, Resources & Finance
Technical & Communications Officer, Pensions Section, Resources & Finance

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Report Ref: HRF08/005
Draft Date: 03/05/2023
Final Date: 31/05/2023

1. Introduction

- 1.1 The objectives of the review were to ensure that:
- Correct payments are made to valid pensioners, with amendments /increases being correctly applied when required.
 - On notification of the death of a member, existing benefits are ceased and where relevant, benefits are correctly calculated and paid to the appropriate nominated person(s).
 - Online resources are up to date and informative for pension scheme members, including access to annual benefits statements.
- 1.2 The audit examined the systems and procedures for the payment of pension benefits to identify if they have been made in accordance with the provisions of the Local Government Pension Scheme (LGPS). This included an examination of the Pensions Altair system, pension policies, procedures and the online pension information resources.
- 1.3 A sample of 2021/2022 pension payments (including Ill Health; Deferred Payment; Normal/Late Retirements; Early Redundancy and Deaths) were tested to assess compliance with the agreed procedures. The audit did not consider payments made in respect of employees transferring to other pension schemes nor payments (refunds) to employees who have decided to opt out of the LGPS.

2. Main Findings

2.1 *Correct payments are made to valid pensioners*

This objective was substantially achieved. Pension entitlement (lump sum and annual pension) is calculated in Altair by a Pensions Assistant and then checked by a Pensions Officer. In cases where the Pensions Officer calculates the pension entitlement there are no supervisory checks. It should be noted that Altair is the most widely used Pensions system and annual checks are undertaken to confirm that pension entitlements are correctly calculated. (See Action Plan Reference M1)

Lump sum payments are processed through Integra. The bank details provided by the new pensioner will be input by one officer and then checked by another officer to confirm that the correct

bank account name, number and sort code have been input. For the annual pension, an officer will prepare a "notification of new pension form" (PEN451) so that the new pensioner will be paid via the payroll system (ResourceLink). Whilst the bank details (account name, account number and sort code) are included on the PEN451, only 3 (25%) were evidenced as having been checked by another officer to the details provided by the pensioner. (See Action Plan Reference M1)

2.2 *On the death of a member, existing benefits cease and relevant death benefits are paid to the appropriate person(s)*

This objective was substantially achieved. The Pension Fund participates in the Cabinet Office's biennial NFI exercise, which matches members to the DWP's database of deceased persons. The 2020/21 NFI exercise did not identify any unnotified deaths.

The Pension Fund acts upon pensioner deaths that are received through the UK Government's Tell Us Once (TUO) process, which allows next of kin to report a death to most government organisations in one go. There are a very small number (0.4%) of pensioners in payment that live abroad, where the TOU process may not be used and this could result in the non-reporting of a death with the pension continuing to be paid. (See Action Plan Reference L1)

2.3 *On-line resources are up-to-date and available for all pension scheme members*

This objective was fully achieved. Pension Fund members are encouraged to use on-line resources to access their own pensions information. Pensioners can register to use the self-service portal (MyView) to view their monthly payment advice slips, obtain P60 certificates and to update their address or bank details. All members can register to use pensionsonline to access their annual benefits statement. The Pensions Team is currently investigating options so that all information can be accessed on one system.

3. Conclusion

- 3.1 The Council has broadly effective systems for the payment of pensions. The implementation of the recommendations in the attached action plan should further enhance these arrangements.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M1	Medium	<p>During the COVID pandemic, the Pensions Team introduced a revised process where pension entitlement calculations prepared by an experienced pensions officer were no longer subject to a supervisory check.</p> <p>It was identified that 9 (75%) "notification of new pension forms" (PEN451) used to generate annual pension payments were not evidenced as checked by another officer to the pensioners bank mandate information.</p>	<p>Management should determine if the revised process whereby pensions officer calculations are not subject to supervisory recheck will become a permanent change.</p> <p>Management should introduce an evidenced supervisory check to mitigate the small risk of fraud, which confirms that the bank details recorded on the PEN451 form have been agreed to the bank details provided by the pensioner.</p>	<p>A Pension Technician currently enters pension details into the HC payroll system from the PEN451 form and this is cross checked by a different Technician prior to payroll processing. The checked forms are currently saved in SharePoint.</p> <p>We will introduce a process whereby all bank details entered are checked against the original bank mandate form, and the checked form will be uploaded to the members pension record to evidence this.</p> <p>The Technical and Communications officer carries out a monthly comparison to check that the data held in the Altair system matches the data held in the HC Payroll system. This is carried out immediately prior to the payroll being closed for processing.</p>	Operations Managers	30/06/23
L1	Low	45/11,500 (0.4%) pensioners live overseas, where Next of Kin may be unable to access the Government's Tell Us Once (TUC) process, which could result in the non-reporting of their death.	Management should consider options for overseas pensioners to periodically confirm their entitlement and their contact information.	We are not aware of any issues with overseas pensioner deaths being reported due to not having access to TUC and an individual's executor would identify any entitlements as part of processing an individual's estate.	Operations Managers	Complete

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
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				<p>In January 2023, we verified the details of all our overseas pensioners. This was required in order to obtain up-to-date signed bank mandates to set up overseas payments on the Convera system.</p> <p>We will review options to review and verify contact details for our overseas pensioners on an ongoing basis.</p>		