

Final Internal Audit Report 2017/18

London Borough of Haringey

Pension Administration

June 2018

This report has been prepared on the basis of the limitations set out on page 8.

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Introduction

As part of the 2017/18 Internal Audit Plan, we have undertaken internal audit work in relation to Pensions Administration.

The Local Government Pension Scheme (LGPS) is operated by the Council for all employees of the Council, apart from those, such as teachers, who have their own pension scheme.

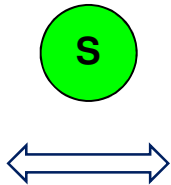
Haringey Council is the Administering Authority for LGPS in the London Borough of Haringey area. The Council delegated this responsibility to the Pensions Committee & Board. The management of this was delegated to the Council’s Corporate Committee, but as from June 2014, this has now become the responsibility of a re-constituted Pensions Committee and Board.

The remit of the Pensions Committee and Board includes undertaking the Council’s functions as ‘Administering Authority with responsibility for the management and monitoring of the Council’s Pension Fund. The responsibility includes:

- Management of the Pension Fund’s investments including the setting of investment strategy, selection and monitoring of fund managers, and publication and maintenance of statutory policy statements;
- Receiving triennial actuarial valuations, publishing and maintaining a Funding Strategy Statement and monitoring the funding level of the Pension Fund;
- Approving the Pension Fund Annual Report and Accounts, receiving the external auditors’ annual report and regular reports on matters relating to administration;
- Recording and paying pension entitlement and collecting contributions from employers; and
- Ensuring a robust governance structure to facilitate compliance with legislation and adoption of best practice.

Corporate Finance has responsibility for the management of the Pension Fund, and has a dedicated Pensions Administration Team in place.

The last audit of Pension Fund Administration was completed in January 2017, when a Substantial assurance opinion was given.

Audit Opinion	None	Limited	Substantial	Full
Direction of travel				

Key Findings

- All employees of the Council are automatically enrolled in LGPS by means of an interface between SAP Human Resources and Altair (Haringey LGPS system), unless an individual completes an Opt-out form.
- The Senior Pensions Officer produces from SAP Human Resources an Actual Update Report which is a monthly listing of all new starters / amendments. This creates a 'Skeleton' record in Altair which is then accessed by a Pensions Officer and populated from new starter records retained by Human Resources.
- The Senior Pensions Officer checks a sample of new entries created monthly on Altair. We confirmed that one-third of new entries in February and March 2018 were checked.
- The Pensions Team confirms for each new employee their date of birth. We confirmed for 17 new starters examined that the date of birth was confirmed. We noted that the confirmation of date of birth was only held for one of 11 non-Council employees. We were informed that such employers are chased to confirm date of birth, although this is not always provided. However, no pension benefits will be paid out for such staff until date of birth is confirmed.
- A Statutory Notice is produced for each new starter and issued to the individual member. We confirmed for five new starters that a Statutory Notice was issued but that there were delays from the member's start date.
- Guidance on pension options is published on the Haringey website, which includes the 50/50 scheme, whereby 50% of the contributions are made for 50% of the benefits, and the option to opt-out from making pension contributions.
- The Senior Pensions Officer receives a weekly notice of leavers through the SAP Human Resources interface. A Pensions Officer receives this report and completes the necessary actions including:
 - Individual members' accounts closed on Altair;
 - Early leavers, not yet of retirement age, will be issued with a Deferred Benefit Statement, which will include Statutory Pension Date, last day of service, annual pension, retirement lump sum grant, survivor's pension and years of service; and
 - Retirees will be issued with a statement of their benefits, lump sum retirement grant, annual pension and survivor's pension.
- We examined 20 LGPS members who have left the Council since April 2017 and confirmed the following:
 - Seven were Opt-outs, and for each a completed Opt-out Form was held;
 - In 11 instances, an appropriate Notice of Benefits was produced; and
 - In two instances, a Refund of Benefits was calculated.
- Access to the Altair system is restricted to eight members of the Pensions Team. There are other staff with Altair user-ids, but these were former employees and we were informed that these have had their access disabled although this was not confirmed.
- Where a member wishes to transfer benefits from another scheme into Haringey LGPS, they provide written consent to do so, and identify the previous schemes from which they are transferring. Haringey LGPS request from them the scheme details of the individual's accrued benefits. Such details are only added to Haringey LGPS upon receipt of the value of accrued benefits. It was confirmed for five scheme members that written consent was obtained prior to transfer their accrued benefits being transferred.
- A member's benefits in Haringey LGPS are only transferred to another scheme on receipt of written consent from the individual naming the new scheme, a request from the new scheme providing its bank details and after calculation by a Pensions Officer of the member's benefits from Altair, checked

by another Pensions Officer. We confirmed this was the case for five such transfers made since April 2017.

- Employee contribution rates automatically default to 5.5% on Altair, and are required to be re-set by a Pensions Officer when populating the 'Skeleton' record. We were informed Altair is being developed such that Employee Contribution rate is set automatically dependent on pensionable pay.
- The Senior Pensions Officer completes an annual reconciliation of employee contributions taken on SAP with those as posted on Altair. The most recent one was for 2016/17; the 2017/18 reconciliation will be completed as part of the year-end accounting process.
- Haringey LGPS Non-Council employers submit monthly returns which are monitored by the Senior Pensions Officer, with non-submission reported to Pensions Committee.
- The Senior Pensions Officer checks Employer Contribution Rates once every six months.
- Employee pay on which LGPS contributions are taken is calculated by a Pensions Officer and loaded into Altair. A sample of five calculations was checked and found to be satisfactory.
- We examined payments for five leavers and confirmed the following:
 - Payments to individuals are made by BACS once confirmation has been received in writing from the individual of the correct bank account;
 - Lump sum and annual pension payments are calculated from Altair by one Pensions Officer and checked by another;
 - Annual pensions are loaded into SAP, locked and unlocked by a second Pensions Officer; and
 - Lump sum payments are made by a Special Payments Request to Accounts Payable, requested by a Pensions Officer, and authorised by the Pensions Manager.
- An annual reconciliation of pensions, including employee and employer contributions, refunds, transfers in and out and lump sum payments is completed by the Banking & Treasury Service. We confirmed that a reconciliation for 17/18 was produced as at March 2018 with supporting evidence from Altair and SAP of transactions processed included.

Key Statistics

- Pension Fund contributions and benefits as per the 2016/17 Pension Fund accounts are as follows:
 - £47,249,000 employee and employer contributions;
 - £2,839,000 transfers from other funds;
 - £47,223,000 benefits paid out; and
 - £3,662,000 transfers paid out to other funds.
- The 2016/17 Pension Fund Accounts identify the fund membership as at 31 March 2017 as follows:
 - 6,167 active fund members making employee and employer contributions;
 - 8,769 deferred pensioner memberships; and
 - 7,508 pensioner and dependent members in receipt of benefits.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Joiners	Green	Green	0	0	0
Leavers	Green	Green	0	0	0
Standing data	Green	Amber	0	0	2
Transfer values	Green	Green	0	0	0
Contribution collection	Green	Green	0	0	0
Assumed Pensionable Pay	Green	Green	0	0	0
Pension awards & benefits	Green	Green	0	0	0
Pension payments	Green	Green	0	0	0
Monitoring, review, & reconciliation	Green	Green	0	0	0
Total			0	0	2

Please refer to Appendix B for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Acknowledgement	We would like to thank the management and staff of the Pensions Service for their time and co-operation during the course of the internal audit.
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





Ref	Issue	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Deadline
Standing data							
1	A Statutory Notice is produced for each new starter and issued to the individual member. We confirmed for five new starters that a Statutory Notice was issued but that there were delays in issuing the notice, from the member's start date.	There is an increased risk of dissatisfaction by individual members over their membership of LGPS due to late receipt of Statutory Notice, and possibly higher member queries.	A target date should be agreed by which Statutory Notices are issued from when staff commence employment. This should be monitored through spot checks to ensure compliance.	3	Senior officer will spot check that statutory notices are issued within two months of notification of member starting in the scheme	John Lynch	Already Implemented
2	Access to Altair is restricted to eight members of the Pensions Team. There are other staff with Altair user-ids, but these were former employees and we were informed that their user access have been disabled, although this could not be confirmed.	Where Altair user access is not appropriately monitored, there is an increased risk that former staff may be able to access and make inappropriate changes to LGPS data.	Confirmation should be requested from Altair that former staff user-ids have been disabled.	3	Heywood will be asked to delete former user profiles	Janet Richards	30/06/2018

Appendix B – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	None	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

	Improved since the last audit visit. Position of the arrow indicates previous status.
	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	Effectiveness
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited**London****June 2018**

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