

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**INTERNAL AUDIT OF PENSION PAYMENTS FOR 2018-19**

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**Report No.:** CEX/06/2018/AU

## REVIEW OF PENSION PAYMENTS FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Pension Payments for 2018-19. The audit was carried out in quarter 2 of 2018-19 as part of the programmed work specified in the 2018-19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 11<sup>th</sup> July 2018.
4. A Client Team for the Authority liaise with the Authority's Exchequer Services contractor who are contracted to undertake Pension Administrations for departments within LBB.
5. ALTAIR is used to store all documentation for staff pension payments.

### AUDIT SCOPE

6. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

7. Overall, the conclusion of this audit was that Substantial Assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

8. Controls noted to be in place and working well, based on the sample testing conducted, included:
  - For a sample of 10 overseas pensioners, it was verified that 'life certificates' were up to date.

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- For a sample of 10 deaths where death grants were provided, it was confirmed that information surrounding the death grants were appropriately evidenced as checked and investigated before being paid.
- For a sample of 10 refunds, it was confirmed that refunds were only made to persons with less than two years of employment with the Local Authority.
- Reconciliations were being conducted by the Authority's Exchequer Services contractor on a quarterly basis.

However, we would like to bring to management attention the following issues:

- There were no specific policies and procedures in place for the pension payment work undertaken by the Authority.
- For a sample of five leavers tested, it was identified that there was one instance where the task management system for the leaver had not been updated.
- Reconciliations between the Authority's Exchequer Services contractor's financial information system (FIS) and the Authority's system Resourcelink were not being signed once verified by a second officer.
- Cheque payments are currently being processed for pension refunds; audit had previously recommended that payments move to BACS payments.

### SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were no priority one recommendations raised as part of this audit.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

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**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
1.	<p><b><u>Policies and Procedures</u></b></p> <p>In order to help ensure continuity of service and compliance with legislation and management expectations, appropriate procedures and guidance should be in place for staff to follow.</p> <p>Discussion with the Pensions Manager and the Head of Revenues and Benefits identified that there were no specific policies and procedures in place for the Authority’s Pensions Team.</p> <p>It is acknowledged that a ‘Recurring Tasks and Pensions Position Statement’ (which documents all the tasks that are required to be completed throughout the year and the approximate date at which the tasks are due to be completed) and a Code of Practice were in place. However, procedure notes or guidance for the actual processes within the ‘Recurring Tasks and Pensions Position Statement’ were not in place. It was advised that only experienced officers were hired, who know how to undertake their roles.</p> <p>The Council’s Exchequer Services contractor had their own set of procedures to follow when undertaking their processes.</p>	<p>Where processes are not in place or are not sufficiently detailed, there is a risk that staff are unable to follow accepted processes which as a result can lead to inconsistencies and the Council being non-compliant with legislation.</p>	<p>Policies and procedures should be put in place for the Authority’s pension team. Once in place, these should be reviewed on a periodic basis.</p> <p><b>(Priority 2)</b></p>

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### DETAILED FINDINGS

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No.	Findings	Risk	Recommendation
2.	<p><b><u>Leavers from the Bromley Scheme</u></b></p> <p>The task management system helps to identify which actions for that staff member are still outstanding.</p> <p>A sample of 5 leavers from the pension scheme covering the 12 months leading up to the audit was tested and it was identified that:</p> <ul style="list-style-type: none"> <li>• (Audit sample 1, the task in ALTAIR was still outstanding.)</li> </ul>	<p>Where the task management system is not updated in a timely manner there is risk of duplication of work.</p>	<p>The task management system should be updated once actions have been progressed.</p> <p><b>(Priority 3)</b></p>
3.	<p><b><u>Reconciliations</u></b></p> <p>Quarterly reconciliations are conducted by Council's Exchequer Services contractor for their financial information system (FIS) and the Authority's pension system ResourceLink. The reconciliation is split into four cost codes: 7720 Retirement grants, 7722 death grants, 7731 transfer out, and 7732 transfer in.</p> <p>Examination of the last four quarterly reconciliations identified that once completed the reconciliations were sent to the Principal Accountant for verification; however, there was no evidence to verify that the Principal Accountant has reviewed the reconciliations undertaken.</p>	<p>Where reconciliations are not verified by a second officer and signed on verification, there is a risk that reconciliations may not have been checked and any non-reconciling items identified.</p>	<p>Reconciliations should be signed off by the officer responsible for undertaking the reconciliation and by the officer responsible for reviewing the reconciliation.</p> <p><b>(Priority 2)</b></p>

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4.	<p><b><u>Follow up Previous Recommendations – Refunds</u></b></p> <p>The 2016-17 Pensions Audit finalised in September 2017 found that for the sample of 10 refund payments tested all had been made by cheque. The recommendation, accepted by management was to consider making pension refunds via BACS.</p> <p>The Pensions Manager confirmed in this audit that whilst being progressed some payments are still being made by cheque.</p>	Refunds may not be made efficiently	Consideration should be put into making pension refunds via BACS. <b>(Priority 3*)</b>

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**APPENDIX B**

**MANAGEMENT ACTION PLAN**

<b>Finding No.</b>	<b>Recommendation</b>	<b>Priority *Raised in Previous Audit</b>	<b>Management Comment</b>	<b>Responsibility</b>	<b>Agreed Timescale</b>
1.	Policies and procedures should be put in place for the Authority's pension team. Once in place, these should be reviewed on a periodic basis.	2	Policies and procedures notes to be made and stored on shared drive	Pensions Manager	31/08/2019
2.	The task management system should be updated once actions have been progressed.	3	The Council's Exchequer Services contractor to ensure task management is completed at each stage	The Authority's Exchequer Services contractor	31/03/2019
3.	Reconciliations should be signed off by the officer responsible for undertaking the reconciliation and by the officer responsible for reviewing the reconciliation.	2	Quarterly reconciliations to be carried out by Capital Accountant and signed off by Principal Accountant	Principal Accountant/Capital Accountant	30/04/2019
4.	Consideration should be put into making pension refunds via BACS.	3*	Agreed	The Authority's Exchequer Services contractor	To be agreed

## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

### **Assurance Level**

### **Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.