

AGENDA ITEM 4.c
REPORT NO. PC/09/18

HIGHLAND COUNCIL

Committee: Pensions Committee and Pensions Board

Date: 9th August 2018

Report Title: **Highland Council Pension Fund Internal Report – Pension Fund Payments**

Report By: Corporate Audit Manager

1. Purpose/Executive Summary

- 1.1 Details are provided of the audit review of Pension Fund payments and a copy of the report is attached.

2. Recommendations

- 2.1 The Committee/ Board is asked to consider the content of the report, the audit opinion provided, and to raise any relevant points with the Corporate Audit Manager.

3. Internal Audit Reports

- 3.1 Each Internal Audit report contains an audit opinion based upon the work performed in respect of the subject under review. There are five audit opinions which can be provided:
- (i) **Full Assurance:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
 - (ii) **Substantial Assurance:** While there is a 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.
 - (iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified 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
 - (iv) **Limited Assurance:** Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
 - (v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.
- 3.2 The audit review of Pension Fund payments has the audit opinion of Substantial Assurance and there are 2 recommendations comprising of 1 high and 1 low grade priorities. These have been agreed by management and the final action is due to be completed by 31/07/18.

4. Implications

- 4.1 There are no Resource, Legal, Community (Equality, Poverty and Rural), Climate Change/Carbon Clever, Risk or Gaelic implications.

Designation: Corporate Audit Manager

Date: 30th July 2018

Author: Donna Sutherland

Background Papers:

Internal Audit Final Report

Corporate Resources Service

Pension Fund Payments

Distribution:

Payroll & Pensions Manager, Corporate Resources Service
Head of Corporate Finance & Commercialism, Corporate Resources Service
Depute Chief Executive/ Director of Corporate Resources

Report Ref: HDA08/010

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1. Introduction

- 1.1 This audit has reviewed the systems in place for pension fund payments during 2017/18 to ensure that the correct payments are being made to members, in accordance with the relevant policy and legislation.
- 1.2 In 2017/18, 539 new members took up their pensions, with 1870 new entrants joining the scheme. The total pension benefits payable during the year was £52.8m.

2. Main Findings

2.1 *The correct payments are made to eligible members*

This first objective was fully achieved. The pension figures are calculated, including any amendments and annual increases, and all are independently checked by the segregation of duties throughout the process.

In addition, pension data is submitted to the biennial National Fraud Initiative to allow data matching techniques to help prevent and detect fraud. Any matches identified are checked and actioned as required.

2.2 *On notification of members' death benefits cease and relevant death benefits paid to the appropriate person(s)*

This objective was partially achieved. Guidance notes and checklists are available to aid staff to ensure that on notification of members' death the correct procedure is followed, benefits cease and where necessary calculated benefits paid to nominated person(s). All necessary certificates are received, paperwork is then scanned and held electronically within the individual members' system record.

The Council subscribes to the Address Tracing & Mortality Screening (ATMOS) Services to assist in reducing the

costs and risks of Impersonation of the Deceased (IOD), fraud and pension overpayments.

When pension payments are made prior to the death notification being received resulting in an overpayment, there is an appropriate process to reclaim these monies. While there is a consistent practice for both Payroll advising the Pensions Section of returned payments/closed bank accounts, and the reclaiming of overpayments, this is not reflected in written procedures. Following the reduction of staff numbers through Voluntary Redundancy (VR), there is a backlog waiting to be processed.

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

This objective was fully achieved. Comprehensive information is available online at www.hIGHLANDPENSIONFUND.ORG. This is updated as and when required by new regulations and/or legislation. The Fund's Annual Accounts are also added after Committee approval. To reduce administration costs the members' payslips, P60 certificates (records pension paid and tax deducted for year) and the annual benefit statements, are now only available on-line. However, the electronic link for external access to this information was incorrect.

3. Audit Opinion

- 3.1 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 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

Staff deliver an efficient service as reflected in their annual Performance Indicators. Following VR and the reduction of staff numbers they are reviewing existing processes to improve and streamline with the resources available.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains a total of **2** recommendations comprising of the following:

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

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
High	While there is a consistent practice for both Payroll advising the Pensions Section of returned payments/closed bank accounts, and the reclaiming of overpayments, this is not reflected in written procedures. With staff numbers reduced since VR there is a backlog to be processed.	The Payroll procedures should be updated to reflect the actual process for returned payments/closed bank accounts notification and reclaiming of overpayments. This backlog should continue to be given priority.	Procedures will be updated to capture the process. There are approx. 75 cases outstanding to be completed. No material amounts are involved. A dedicated resource has been allocated to clear the backlog. The backlog was short term caused by the need for a review of structures and staff training following Voluntary Severance	Operations Manager Payroll	31 July 2018
Low	Access to the on-line information is confirmed by email. An internal link within the email causes an error when accessing it from outside the Council network.	As this task has recently been transferred to the Pension Section, it should be reviewed and amended accordingly.	The correct link will be issued.	Assistant Payroll and Pension Manager	30 June 2018