



## Internal Audit Report

### Financial Services

# Pensions Administration 2023/24

## 1 Introduction

- 1.1 An audit has been completed reviewing the administration of the Local Government Pension Scheme (LGPS) undertaken by the Swansea Pension Section in Financial Services.
- 1.2 The Swansea Pension Fund serves employees of Swansea Council, along with a number of local external organisations.
- 1.3 Testing was undertaken to examine the controls and procedures associated with the following areas:
  - Parameters
  - Contributions Received
  - New Joiners
  - AVCs and APCs
  - Transfer Values In
  - Transfer Values Out
  - New Pensioners
  - Deferred Pensioners
  - Continuing Pensioners
  - Child Pensioners
  - Administration
  - Systems
  - Continuing Entitlement
  - GDPR and Data Retention
- 1.4 The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice.
- 1.5 Pensions Administration was last audited during 2021/22 where there was one recommendation, and the opinion rating was 'High'.
- 1.6 Detailed findings are recorded below and the recommendations arising are included in the attached Management Action Plan.

## 2 Findings / Work Done

### 2.1 Parameters

2.1.1 Testing was carried out to ensure that the LGPS employee banding rates were correctly input into the Payroll System. This was found to be satisfactory. It was also confirmed that the employer rates agreed to those stated in the Actuarial Certificate dated March 2023.

2.1.2 The interest rate used and input into the Altair Pensions system is the Bank of England Bank Rate plus 1%. It was identified that the interest rates input since November 2022 were incorrect and did not include the additional 1%. This was rectified during the audit, and it was confirmed that no calculations had been affected.

### 2.2 Contributions Received

2.2.1 The Treasury Section is responsible for keeping records of all contributions received from the admitted bodies via an ongoing reconciliation. They are also responsible for checking that all employee and employer contributions have been paid at the correct rates.

2.2.2 They undertake monthly sample checking of the deductions made from employees of admitted bodies. A review confirmed that all admitted bodies had been subject to sample checking.

2.2.3 Furthermore, they carry out checks to ensure employer contributions received from each admitted body agree to the amount stated in the Actuarial Certificate. It was confirmed that these checks were also being undertaken.

2.2.4 It was found that data from the admitted bodies is reconciled to the General Ledger and the Altair Pensions system by the Treasury Section. All admitted bodies are required to submit annual returns stating their total contribution paid and this is reconciled to the data held by the Section.

### 2.3 New Joiners

2.3.1 A sample of ten new members joining the scheme was reviewed to ensure that the requirements for joining the scheme were met, appropriate documentation was held and that their contribution rates were correct. This test proved satisfactory.

### 2.4 Additional Voluntary Contributions (AVC's) and Additional Pension Contributions (APC's)

## Appendix 2

2.4.1 A sample of ten members who had elected to pay a new AVC was tested to ensure that there was evidence that the employee had authorised the deduction, the total amount of pension contributions was within the legislative guidelines and the correct amount was being deducted from their payslips. This was found to be satisfactory for all members tested.

2.4.2 A further sample of ten members who had made regular APC payments was tested to confirm there was evidence that the employee had authorised the deduction, the total amount of pension contributions was within the legislative guidelines and the correct amount had been deducted from their payslips. It was found that APC documentation is managed via the Service Centre Helpdesk and uploaded onto Fusion. We established that for two members (NI Numbers WK579992C and JX496590C) no APC application forms were available for inspection.

### 2.5 Transfer Values In

2.5.1 Testing was carried out on five employees who transferred into the Pension Fund in the last 12 months, to ensure that a calculation of the transfer value had been completed and authorised by two members of staff in the Pensions Section. Testing also took place to confirm that the transfer value had been received, banked, and recorded on the ledger by the Treasury Section. Both these tests proved satisfactory.

### 2.6 Transfer Values Out

2.6.1 A sample of five employees who were transferring their benefit out of the Pension Fund was reviewed to ensure the transfer calculation had been checked and approved by a Senior Officer in Pensions, certified by an authorised signatory in the Treasury Section and that there was confirmation of the employees' date of birth recorded on the Altair Pensions system. These checks were all found to be satisfactory.

### 2.7 New Pensioners

2.7.1 A sample of ten new pensioners was selected and their records checked to ensure:

- a) A Leaver form (or equivalent) was present.
- b) The pension due had been calculated by a Pensions Assistant and checked by a Senior Pensions Assistant.
- c) A copy of a birth certificate or passport was present.

All testing proved to be satisfactory.

2.7.2 In addition to the above, we also reviewed the lump sum paid and confirmed the following:

- a) The lump sum had been calculated by a Pensions Officer and checked by a Senior member of Pensions.

- b) The lump sum payments agreed to the ledger and payslips for all individuals tested.

### 2.8 Deferred Pensioners

- 2.8.1 Testing was carried out on ten members who had left the scheme, but whose benefits had been deferred. It was found that all employees had been a member of the scheme for at least three months and therefore benefits had been correctly deferred.
- 2.8.2 Further checks confirmed deferred benefits had been increased in line with the pension income review for all members selected.
- 2.8.3 Our enquiries revealed that the Pensions Section run reports regularly to identify deferred pensioners who are approaching the eligible age and eligibility letters are sent out advising the benefit payable.

### 2.9 Continuing Pensioners

- 2.9.1 The testing of ten current pensioners was undertaken to ensure the rate currently being paid was correct and in line with the 10.1% increase awarded in April 2023. This was found to be satisfactory.
- 2.9.2 A sample of ten active members of the Pension Fund was checked to ensure that the pension increase had been implemented correctly for their CARE contributions. It was found for all ten active members the rate had been applied correctly.

### 2.10 Child Pensioners

- 2.10.1 A sample of ten individuals receiving a "Child Pension" was reviewed to ensure that application forms, official documentation to evidence the date of birth and adequate proof of continuing education or ongoing ill-health for recipients over the age of 18 had been received. All testing proved satisfactory.

### 2.11 Administration

- 2.11.1 It was established that a Training Pack is issued to all members in the Pensions Section and any changes to legislation or working practices are communicated to staff when they occur.
- 2.11.2 It was found that there were sufficient processes in place to ensure that tasks are followed up and monitored via the Altair Pensions system for each user. Also, performance reports are produced and reviewed monthly by Senior members of the Pensions Section.

### 2.12 Systems

- 2.12.1 We were informed that the Altair Pensions system requires users to change their passwords every two months.
- 2.12.2 It was established that the Swansea Pension Fund is a hosted client with Heywoods. The overnight back-up is carried out by the Heywoods Data Centre.
- 2.12.3 A Business Continuity Plan was last reviewed and updated in February 2020 and is currently under review again.

### 2.13 Continuing Entitlement

- 2.13.1 We were told that the Accountancy Section monitor un-presented pension cheques. The arrangements in place were reviewed and found to be satisfactory.
- 2.13.2 It was confirmed that the Pensions Section compares data from the Altair Pensions system to the Payroll System monthly to ensure that they reconcile.
- 2.13.3 The Pensions Section review the continued eligibility where third tier ill health retirement occurs.
- 2.13.4 Pensioners' whose payments have been suspended are reviewed annually. We were told that investigations are undertaken by officers in the Pensions Section to establish if they have passed away, but this can sometimes prove inconclusive, and therefore the suspension continues. We were told that the Payroll Section will send out life certificates for any that are identified.

### 2.14 GDPR and Data Retention

- 2.14.1 Employees' GDPR mandatory training and the retention of physical/electronic records were discussed with the Service Manager and the following was confirmed:
  - a) All staff in the team, apart from one member of staff who is off on long term sick, had completed the mandatory GDPR training provided by the Council in the last two years.
  - b) We were informed that no records are held outside of the formal retention period.

### 3 Conclusion

- 3.1 The Internal Audit Section operates a system of Assurance levels which gives a formal opinion of the achievement of the service's/system's control objectives. The Assurance levels vary over four categories: 'High', 'Substantial', 'Moderate' and 'Limited'.
- 3.2 Recommendations arising from this review are detailed in the attached Management Action Plan. Each recommendation has been prioritised according to perceived risk – High, Medium, Low and Good Practice. The overall Assurance level is based on the recommendations made in the report.
- 3.3 The description of each type of recommendation and the basis for each of the Assurance levels is noted in **Appendix 1**.
- 3.4 Based on the audit testing undertaken, it was found that almost all procedures were operating satisfactorily with only a small number where improvement is required.
- 3.5 As a result, an Assurance Level of '**High**' has been given. This indicates that 'there is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.'
- 3.6 We will contact you in due course to confirm that you have implemented the agreed recommendations.
- 3.7 This audit was conducted in conformance with the Public Sector Internal Audit Standards.

## Classification of Audit Recommendations

| Recommendation | Description   |
|----------------|---|
| High Risk      | Action by the client that we consider <b>essential</b> to ensure that the service / system is not exposed to <b>major risks</b> .       |
| Medium Risk    | Action by the client that we consider <b>necessary</b> to ensure that the service / system is not exposed to <b>significant risks</b> . |
| Low Risk       | Action by the client that we consider <b>advisable</b> to ensure that the service / system is not exposed to <b>minor risks</b> .       |
| Good Practice  | Action by the client where we consider <b>no risks</b> exist but would result in better quality, value for money etc.                   |

## Audit Assurance Levels

| Assurance Level       | Basis   | Description  |
|-----------------------|---|--|
| High Assurance        | Recommendations for ineffective controls affecting the material areas of the service are not High or Medium Risk. Any recommendations are mainly Good Practice with few Low-Risk recommendations.         | There is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.                 |
| Substantial Assurance | Recommendations for ineffective controls affecting the material areas of the service are not High Risk. Occasional Medium Risk recommendations allowed provided all others are Low Risk or Good Practice. | There is a sound system of internal control but there is some scope for improvement as the ineffective controls may put the system objectives at risk. |
| Moderate Assurance    | Recommendations for ineffective controls affecting the material areas of the service are at least Medium Risk.  | The ineffective controls represent a significant risk to the achievement of system objectives.   |
| Limited Assurance     | Recommendations for ineffective controls affecting the material areas of the service are High Risk.   | The ineffective controls represent unacceptable risk to the achievement of the system objectives.  |

**SWANSEA COUNCIL  
MANAGEMENT ACTION PLAN  
PENSIONS ADMINISTRATION 2023/24**

| REPORT REF   | RECOMMENDATION  | CLASS (HR; MR; LR; GP) | AGREED ACTION/ COMMENTS  | RESPONSIBILITY FOR IMPLEMENTATION | IMPLEMENTATION DATE |
|--|---|------------------------|--|-----------------------------------|---------------------|
| <b>Parameters</b>  |   |                        |  |                                   |                     |
| 2.1.2  | Care should be taken when loading figures and values into the parameters of the Altair Pensions System.                     | LR                     | Agreed – staff members to be reminded of the importance of accuracy of data upload   | Claire Elliott                    | Feb 2024            |
| <b>Additional Voluntary Contributions (AVCs) and Additional Pension Contributions (APCs)</b> |   |                        |  |                                   |                     |
| 2.4.2  | A reminder to be issued to the Payroll Section stating that all APC Applications should be retained and uploaded to Fusion. | LR                     | Agreed – to ensure completeness of process a request will be submitted to the Service Centre Helpdesk requesting a copy of any APC application forms completed by LGPS members in respect of periods of lost pensions resulting from a period of authorised unpaid leave. This will allow us to record this information on the member record as a period of authorised unpaid leave bought back by the member. | Claire Elliott                    | Feb 2024            |