

# Internal Audit Report

## Pensions Administration follow-up review

### March 2019

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

## 1. Executive Summary

Overall implementation level	Action status				
Partially implemented	Superseded	Not implemented	Partially implemented	On track	Fully implemented
	2/17	2/17	2/17	1/17	10/17
<b>Scope</b>					
<p>This follow-up review was undertaken as part of the 2018/19 Internal Audit and Anti-Fraud Strategy, which has been approved by the Council's Audit Committee. An internal audit review was undertaken in October 2017 examining the Council's arrangements for administering the Barnet Local Government Pension Fund. This identified a number of improvements to address data quality issues, improve the process for producing annual benefit statements and improve the scheme's governance. As at March 2019, the Council continues to be investigated by The Pensions Regulator over scheme data quality.</p> <p>The audit identified two high risk, six medium risk and one low risk findings which required a total of 31 agreed actions to be taken forward. A follow up review was completed in April 2018 that examined the implementation of 24 agreed actions due as at 31 March 2018. This identified that 10 of the actions were either partially implemented, on track or superseded by new actions. This follow-up review considers the current status of these 10 actions and the 7 remaining agreed actions that were not reviewed in the previous review as their due dates had not yet passed.</p>					
<b>Summary of findings</b>					
<p>We identified that two of the 17 agreed actions reviewed had not been implemented and four of the 17 actions were either partially implemented or superseded. Of the actions relating to high risk findings, as reported to the 22 November 2018 Audit Committee, three were fully implemented, two were partially implemented, one was superseded and one was on track.</p> <p>10/17 (59%) of agreed actions have been fully implemented:</p> <ul style="list-style-type: none"> <li>• The service improvement plan has been completed and a scheme calendar is used to monitor CSG's delivery of the service. <b>See action 1a.</b></li> <li>• As part of the end of year returns process, CSG have introduced a data quality log. This is used to monitor data quality issues and the results of this have been reported to the Local Pensions Board and used to develop training offered to scheme employers at the October 2018 employers' forum. <b>See action 1f.</b></li> <li>• A process was implemented to review annual benefit statements and evidence provided that this review had taken place. <b>See action 2b.</b></li> <li>• The scheme has provided specific training to scheme employers on retirements, published a flowchart illustrating the process for members to claim their pensions and letters sent to retirees reminding of the need to instruct the scheme about their retirement intentions. The flowchart now appears on the Council's website. <b>See actions 3a and 5b.</b></li> <li>• The Scheme Communication Strategy and Engagement Plan has been agreed with the Council and CSG and presented to the Local Pensions Board. <b>See action 3c.</b></li> </ul>					

- Compliance with the scheme administration strategy by scheme employers and payroll providers is now reported to the Local Pensions Board by exception. **See action 4c**
- The annual benefit statements for the year ended 31 March 2018 now contain the contact details of the CSG Pensions Administration team and changes have been made to make the statements easier to read. In addition, a document is issued with statements to assist members in reading their statements. **See actions 5e and 5f.**

2/17 (12%) of agreed actions were partially implemented. **These are both high priority actions:**

- We found that reconciliations are now performed between contributions reported by scheme employers and the general ledger but analytical review procedures are not performed over contributions received to ensure amounts paid are reasonable. CSG and the Council are looking to revise the reporting received from employers to allow the scheme to do meaningful analytical procedures. **See action 1d.**
- We found that a checklist is now used to evidence the review of end of year returns, however, this checklist does not currently include a check to ensure that all members of the scheme recorded as active members for each employer are included on that employer's return. This will be implemented once the data cleanse undertaken as part of the conditional data review (see below) has been completed. **See action 1e.**

2/17 (6%) of agreed actions were not implemented. These both relate to medium priority actions:

- We found that, whilst the content on the website has been updated, the presentation of the pension scheme on the Council's website has not been agreed as this is dependent on the progress of the Customer Transformation Programme. **See action 5c.**
- We could not be provided with evidence to demonstrate that the new process for ensuring that duplicate active members are not created when interface file provided by CSG payroll is loaded to the pensions administration system, Hartlink, has been implemented. **See action 6b.**

2/17 (12%) of agreed actions were superseded:

- We found that the CSG exercise to review the membership status of members with no data returned on the 2016/17 end of year returns will be undertaken as part of the exercise to cleanse the scheme's conditional data. **See action 2c**, which has been absorbed into action 1b.
- We found that there remained a number of transfers which were outstanding for a long period. CSG are currently reviewing cases and closing these as required. **See action 7b.**

1/17 (6%) of agreed actions were on track when work was completed in October 2018:

- In October 2018, we found that CSG have scoped the work required to be undertaken on the scheme's conditional data and have a plan to correct key data prior to triennial review. It was noted, in March 2019, that the conditional data review would not be complete by the implementation date of 31 March 2019. **See action 1b.**

See the table below for the detailed findings.

## 2. Findings and Action Plan

No.	Action agreed	Audit procedure	Outcome	Status	Further action required
<b>Finding 1 – Scheme data quality (High Risk)</b>					
<b>1a</b>	We will deliver the improvement plan, as agreed with the scheme manager, to improve data quality so as to meet TPR's target standards. We will also consider recovering the cost of this from employers, where the reason for the data quality issues is their failure to fulfil their obligations to the scheme and if employers are unable to assist with the update of members' records we will consider if this is a breach of law reportable to TPR.	Inspect correspondence between CSG and the Council regarding the service improvement plan to ensure that the actions included in the plan in place in December 2017 have been implemented.	We inspected the reports presented to the Local Pensions Board. This shows that the service improvement plan has concluded and the Council now manages CSG's delivery of the service through the scheme calendar. Progress against this is reported to each meeting of the Local Pensions Board. Therefore, this finding has been fully implemented.	<b>Fully implemented</b>	N/A – action fully implemented.
<b>1b</b>	CSG will update the scheme data as agreed with the scheme manager prior to the triennial review of the	Inspect the report on the outcome of the review of the quality of conditional data, inspect plan prepared to	In October 2018, we were provided with the final report on conditional data quality. CSG have prioritised the findings into those which need correcting before the valuation (high priority) and after (medium/low priority and have developed a project plan to implement the agreed plan.  We enquired with the Strategic HR lead who confirmed that this approach had been discussed and agreed with the Council, who are the scheme manager.	<b>On track</b>	CSG will need to update data fields highlighted as high priority before the deadline for submission of data to the actuary for the pending triennial valuation.

No.	Action agreed	Audit procedure	Outcome	Status	Further action required
	fund due as at 31 March 2019.	correct this data to ensure it adequately addresses the issues identified and inspect plan progress reports to ensure that the plan is on track to ensure data issues have been resolved by the cut-off date for the triennial valuation.	Therefore, this finding is considered to be on track. We note that in finalising this report in March 2019, that the data quality issues are unlikely to be resolved by 31 March 2019.		<p><b>Original implementation date:</b> 31 March 2019 (unchanged from initial report)</p> <p><b>Responsible officer:</b> Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p>
1d	We will ensure analytical reviews are undertaken over contributions received and reported to ensure movements reported are reasonable and reconciliations will be performed between amounts reported and the general ledger. We will consider if any further assurance is required over the accuracy of contributions received, considering whether sufficient assurance is	Inspect analytical reviews performed over contributions received and reconciliations between the amounts reported by employers and the general ledger to ensure that these have been implemented. Inspect decision made regarding further assurances required over pension contributions received.	<p>We inspected the reconciliations performed by the CSG Pensions Finance team between amounts reported by scheme employers and the amounts recorded in the scheme general ledger. We found that reconciliations are being performed.</p> <p>We found that analytical reviews were not being carried out by the CSG Pensions Finance team. The reason for this is that robust analytical review is not possible based on the level of reporting received from employers at present. CSG and the Council are working to implement monthly monitoring of contributions by member which will permit meaningful analytical review of contributions as well as identify starters and leavers promptly.</p> <p>Therefore, this finding has been partially implemented.</p>	Partially implemented	<p>CSG will undertake analytical reviews over contributions received and reported to ensure movements reported are reasonable.</p> <p>Once implemented, CSG and the Council will then consider if any further assurance is required over the accuracy of contributions received, considering whether sufficient assurance is provided by reviews undertaken by internal audit and external audit both at the Council and employers.</p> <p><b>Original implementation date:</b> 30 June 2018</p> <p><b>Revised implementation date:</b> 31 May 2019</p> <p><b>Responsible officer:</b> Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of</p>

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	provided by reviews undertaken by internal audit and external audit both at the Council and employers.				Business Assurance, CSG Employee Benefits)
1e	We will create a checklist which will be used to evidence the review of end of year returns. These checks will include reviewing whether data is provided for all active member records.	Inspect the checklist used to validate annual returns and ensure that this includes a check to ensure that data has been provided for all active members employed by the employer. We will also confirm the checklist has been implemented by reviewing the checklist completed for one employer's data end of year return for the year-ended 31 March 2018.	<p>We inspected the checklist implemented to validate annual returns. We found that this included all checks completed in previous periods but did not include a check to ensure that the data has been provided for all members recorded as active members for that employer on Hartlink. This is to validate that scheme employers have provided a complete set of employee data.</p> <p>It was identified that this check has not been undertaken as a result of legacy data issues, whereby there are a number of members who are no longer employed by a scheme employer but have not been marked as such on Hartlink, the system administration system. CSG believe that they are legacy leavers but have not received the leaver forms to subsequently update Hartlink and hence why status is recorded as 'Active' on Hartlink.</p> <p>CSG have indicated that this data issue will be rectified through the conditional data cleanse work, which is ongoing, and the new checks over monthly contributions received (see 1d above).</p> <p>Therefore, this finding has been partially implemented.</p>	<b>Partially implemented</b>	<p>CSG to update the checklist used to validate returns from employers to incorporate a check that data has been provided for all members recorded on Hartlink as active members for that employer.</p> <p><b>Original implementation date:</b> 30 April 2018</p> <p><b>Revised Implementation date:</b> 30 April 2019</p> <p><b>Responsible officer:</b> Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p>
1f	We will log data quality issues identified by type of issue and both record and monitor the number of records not loaded to Hartlink. A summary of issues	Inspect the log of data quality issues held for the year-ended 31 March 2018 end of year certificate process to ensure that this has been maintained and inspect the reporting of this to	<p>We inspected the log of data quality issues which is contained with the tracker used to track employer returns to the scheme. The issues were summarised by type (e.g. starters/leavers/salary issues) and reported in the May 2018 to July 2018 performance report. This performance report was provided to members of the Local Pension Board for information and was used to help develop training delivered at the October 2018 employers' forum.</p> <p>As such, this finding is considered to have been fully implemented.</p>	<b>Fully implemented</b>	N/A – action fully implemented.

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	encountered will be presented annually to the Local Pension Board and employers.	scheme employers and the Local Pensions Board.			
<b>Finding 2 - Preparation of annual benefit statements (High Risk)</b>					
<b>2b</b>	We will introduce a process for reviewing calculations used to populate annual benefit statements. This will include sampling of calculations and also how this is evidenced	Perform a walkthrough of the process followed to review annual benefit statement calculations to ensure that this includes the review of a sample of calculations and that the review of evidenced.	We inspected the spreadsheet used for checking for the 2017/18 statements. We confirmed that this included a check of all calculations included on a sample of benefits statements and evidence is retained to confirm that the review took place.  Therefore, this finding has been fully implemented.	<b>Fully implemented</b>	N/A – action fully implemented.
<b>2c</b>	We will work with scheme employers to close active records where no employment data has been reported in 2016/17.	Request that the pensions administration team provide a report of all scheme members which have no employment data for 2016/17 together with their employer and scheme membership status during 2016/17. Where members who are considered to have been active in 2016/17 are identified, we will discuss with CSG	This finding has been superseded – CSG note that this exercise will be undertaken during the conditional data cleanse (see action 1b above).  Therefore, this action has been superseded.	<b>Superseded</b>	N/A – action superseded by action 1b above.

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		to understand the reasons for this.			
<b>Finding 3 - Timeliness of the notification of planned retirements (Medium Risk)</b>					
<b>3a</b>	CSG will include in the scheme newsletter, issued to active and deferred members with annual benefit statements, information on retirement timescales.	Inspect the scheme newsletter issued to active and deferred members with the 2017/18 annual benefit status to ensure it includes information on retirement timescales	<p>The scheme has not, as proposed, issued a scheme newsletter which includes details on retirement timescales. However, alternative activities have been undertaken which mitigate the risk as follows:</p> <ul style="list-style-type: none"> <li>• training provided to scheme employers through employers' forum around retirement timescales so that retirements are notified on a timely basis;</li> <li>• a retirement flowchart is included on the scheme webpage to allow members and employers to understand the process followed when members wish to claim their pensions on retirement; and</li> <li>• letters are sent to scheme members ahead of their retirement date to remind them of the need to instruct the scheme about their retirement intentions.</li> </ul> <p>Therefore, this action is considered to be implemented.</p>	<b>Fully implemented</b>	N/A – action fully implemented.
<b>3c</b>	The draft Scheme Communication Strategy and Engagement Plan will be agreed by CSG and the Council prior to approval by the Local Pension Board	Inspect the minutes of Local Pension Board meetings to ensure that Scheme Communication Strategy and Engagement Plan have been approved.	<p>The Scheme Communication Strategy and Engagement Plan has been agreed with the Council and CSG and was then presented to the Local Pensions Board on 19 June 2018.</p> <p>Therefore, this finding has been fully implemented.</p>	<b>Fully implemented</b>	N/A – action fully implemented.
<b>Finding 4 - Governance of Scheme Administration (Medium Risk)</b>					
<b>4c</b>	CSG will report employer and payroll provider compliance with the fund administration strategy at Local Pension Board meetings.	Inspect the reports provided to the Local Pension Board to ensure that these include a report on the compliance by employers and payroll providers with the fund administration strategy.	<p>We discussed this with CSG and the Strategic HR lead – it has been agreed that CSG will report by exception on compliance by employers and payroll providers with the fund administration strategy rather than reporting on an ongoing basis.</p> <p>We inspected the reporting to the Local Pension Board and noted that employers' compliance with the fund administration strategy in respect of end of year returns was clearly discussed in the administration report for May to July 2018 and in a separate paper presented to the 21 November meeting of the Local Pension Board.</p> <p>As such, this finding is considered to have been fully implemented.</p>	<b>Fully implemented</b>	N/A – action fully implemented.

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<b>Finding 5 - Communication Strategy (Medium Risk)</b>					
<b>5a</b>	The draft Scheme Communication Strategy and Engagement Plan will be agreed by CSG and the Council prior to approval by the Local Pension Board	Inspect the minutes of Local Pension Board meetings to ensure that Scheme Communication Strategy and Engagement Plan have been approved.	The Scheme Communication Strategy and Engagement Plan has been agreed with the Council and CSG and was then presented by the Local Pensions Board on 19 June 2018. Therefore, this finding has been fully implemented.	<b>Fully implemented</b>	N/A – action fully implemented.
<b>5b</b>	The retirement flowchart will be reviewed and updated as required by CSG before being finalised. It will then be issued and added to the scheme's website.	Inspect correspondence between the Council and CSG to ensure that the retirement flowchart has been approved and confirm it has been uploaded on the scheme's website.	We confirmed with the Strategic HR Lead at the Council that the flowchart had been received and validated and that this appeared on the scheme webpage on the Council's website at the time of the review. Therefore, this finding has been fully implemented.	<b>Fully implemented</b>	N/A – action fully implemented.
<b>5c</b>	The Council will determine how information regarding the Council's pension scheme is presented on its website and the content subsequently updated.	Inspect documents showing that the Council has agreed how information regarding the pension scheme is presented on the Council's website and that the content has been subsequently updated.	We discussed this with the Strategic HR lead at the Council. It was identified that updates to the Council's website would be made as part of the Customer Transformation Programme which was still in progress. Therefore, this action has not been implemented.	<b>Not implemented</b>	The Council will determine how information regarding the Council's pension scheme is presented on its website and the content subsequently updated. <b>Original implementation date:</b> 31 July 2018 <b>Revised implementation date:</b> Ongoing <b>Responsible officer:</b> Gareth Hopkins (Pensions Consultant)
<b>5e</b>	The proposed annual benefits statements,	Inspect the annual benefit statements	We reviewed the template used and noted this contained a section for the contact details of the pensions administration team. We inspected the return for one active member of the scheme and noted that this was correctly populated	<b>Fully implemented</b>	N/A – action fully implemented.

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	containing the contact details of the pensions administration team, will be agreed with the Council.	templates used for the year-ended 31 March 2018 to ensure that these include the contact details of the CSG pensions administration team.	with the contact details of the CSG team responsible for pensions administration. Therefore, this action has been implemented.		
5f	The proposed annual benefits statements, presented in a different format, will be agreed with the Council.	Inspect the annual benefit statements template used for the year-ended 31 March 2018 to confirm these have been updated to make them easier to understand.	We inspected the templates and noted changes have been made to the presentation of the document and the Council now issues a small document called "Your pension statement explained" which helps explain the templates to members of the scheme. We verified that the Strategic HR lead approved the templates and document issued with statements. Therefore, this action has been implemented.	<b>Fully implemented</b>	N/A – action fully implemented.
<b>Finding 6 - New members and impact on data quality (Medium Risk)</b>					
6b	We will review records created by the interface between the payroll system and Hartlink to ensure that duplicate entries are resolved before Annual Benefit Statements are issued.	Inspect the exercise undertaken to identify duplicate records generated by the interface between the payroll system and Hartlink. Where duplicates have been identified, we will ensure these have been followed up and appropriate actions taken.	Due to issues with the interface operation, we could not be provided with evidence that the new process to review the upload of data into Hartlink has been implemented. Therefore, this action is considered to have not been implemented and will be reviewed when the issues with the interface operation have been resolved.	<b>Not implemented</b>	We will review records created by the interface between the payroll system and Hartlink to ensure that duplicate entries are resolved before Annual Benefit Statements are issued. <b>Original implementation date:</b> 30 June 2018 <b>Revised implementation date:</b> 31 May 2019 <b>Responsible officer:</b> Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)

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<b>Finding 7 - Transfers (Medium Risk)</b>					
<b>7b</b>	CSG and the Council will agree steps to be taken where actions have been outstanding with third parties for a long period.	Obtain the most recent performance report and compare the number of transfer cases where the task has been outstanding with a third party for more than three months and compare to this to the February 2018 performance report, to identify if the number of cases has declined. We will also review correspondence between CSG and the Council regarding transfer cases which have been outstanding for more than three months to ensure that these have been discussed and actions agreed.	<p>We reviewed the number of aged transfer cases (those where the case is over three months old).</p> <p>The February 2018 performance report shows four awaiting Capita action and 42 awaiting action by third parties. We reviewed the performance report for August to October 2018 which showed there were eight transfers awaiting Capita action and 49 awaiting action by third parties.</p> <p>This demonstrates that the number of cases remains relatively high. We note that CSG and the Council have agreed that CSG will review cases individually and close these as required. This is an ongoing process.</p> <p>Therefore, this action has been superseded.</p>	<b>Superseded</b>	<p>CSG and the Council will agree steps to be taken where transfers have been outstanding with third parties for a long period and implement these.</p> <p><b>Original implementation date:</b> 30 June 2018</p> <p><b>Revised implementation date:</b> 30 June 2019</p> <p><b>Responsible officer:</b></p> <p>Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p>