



Local Pension Board 4 February 2021

Title	Internal Audit Report - Pension Administration Governance Transition
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Internal Audit Report
Officer Contact Details	George Bruce, Head of Treasury & Pensions 0208 359 7126 george.bruce@barnet.gov.uk

Summary

Barnet's Internal Audit have undertaken a review of the planning for the transition of administration services to West Yorkshire Pension. Their report is attached, with ten recommendation of which four are rated high. The most significant relate to data improvement plans and automation of benefit calculations.

Officers Recommendations

1. That the Local Pension Board note the Internal Audit report.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme. The Board's terms of reference also include "ensuring the effective and efficient governance and administration of the Pension Fund". Internal Audit work to evaluate controls is an important reference to the Board.
- 1.2 The Internal Audit have undertaken a review of the governance of the transition of administration services to West Yorkshire Pension Fund (WYPF). The transition was managed by LBB staff, with the detailed work of moving records being the responsibility of Capita and WYPF. Internal Audit's ten findings do not comment on the quality of data that transitioned, rather the report's main focus is on the scope of the project management.
- 1.3 A summary of Internal Audit's findings is given below. Management responses and agreed actions are included within the audit report.

No data improvement plan has been agreed with WYPF to address the backlog of cases post transition (high risk) - Currently no plan has been agreed to address the backlog which will be inherited by WYPF, including any additional costs for LBB that this may incur.

No data improvement plan has been agreed with WYPF to improve the quality and completeness of member data post transition (high risk) - Where there are issues of poor data or data quality the regulator expects improvement plans to be in place.

No benefit calculation automation schedule in place (high risk) - There is no schedule or workstream in place in respect to benefit calculation automation which is a key requirement for reducing manual benefit calculations and pension administration inefficiencies.

The project and subsequent project reporting does not consider the necessary improvements required to the pension administration provision and key interdependencies (high risk) - Currently the success of the project focuses on the transition of administration and has not considered the desired benefits which it wants to realise from the project and key interdependencies, for example improvement in the completeness and quality of member data, and efficiencies to the delivery of administration services being provided through benefit calculation automation.

Capita remediation plan to address the backlog of cases does not provide clear data on progress made (medium risk) - LBB have committed to paying Capita additional monies for the additional resources required to clear the backlog of cases and so it is critical that progress reporting demonstrates the work that has been completed.

Project risk register is not routinely reviewed and updated (medium risk)

- The project risk register should be a dynamic document that is routinely reviewed and considers the impacts downstream and where any further mitigation measures are required and updated throughout the duration of the project.

The workstream task list is not sufficiently detailed (medium risk) - There is a risk that key project dependencies, tasks, reconciliations and sign offs may not be performed, and this may impact on the success of the administration transition.

Instances of non-attendance at Project Board meetings by core Project Board members (medium risk) - The project sponsor has not attended any of the Project Board meetings, and there are instances of low attendance by another Project Board member. This may indicate insufficient oversight and accountability, which may result in the benefits of the project not being realised.

s101 agreement with WYPF is not in place (low risk) - There is a risk that LBB has not legally discharged its pension administration function as there is no signed s101 agreement in place.

No collaboration tool in place for project document sharing and/or editing (low risk) - There are no collaboration tools that are available where documents can be stored, shared and edited across all relevant parties. There is overreliance on one key individual to update all project documents which creates a business continuity risk for the project.

1.4 Internal Audit's report sets out that in an ideal world transition of the data to WYPF would have occurred after the well known data problems had been corrected. The Pensions team agrees with the recommendation but not the timeframe. The Pensions team is tackling this as two exercises. The first two high risk recommendations relate to agreeing data improvement plans with WYPF. This was impossible pre transition as a data improvement plan was already underway with Capita, which continued right up to the cut of date (mid October 2020). Therefore, we were not in a position to know the extent to which the Capita improvement plan would be completed prior to the transition date and therefore the remaining remediation work that WYPF will be required to undertake. The agreed action is to implement a data improvement plan during quarter 1, 2021. After giving WYPF a couple of months to settle into their new role, discussions have commenced on the scope, priorities, resourcing and timetable for the new data improvement plan. This will be discussed at the Board meeting as part of the administration report.

1.5 The third high risk recommendation is concerned with documenting the extend of automation in benefit calculations All the schemes administered by WYPF

utilise the same system, processes and teams and these were thoroughly reviewed before the decision was made to ask WYPF to administer the benefit scheme. At that time around 95% of the calculations were automated. In terms of systems developments, representatives of all the schemes administered by WYPF meet collectively to discuss changes to administration processes. We have agreed with Internal Audit that we will encourage WYPF to maintain a high level of benefit calculation automation.

- 1.6 The fourth and final high risk recommendation the benefits to be derived from the change of administrator. The key phrase within the Finding sections are “It is our concern that the success of the project focuses on the transition of administration and has not considered the desired benefits which it wants to realise from the project and key interdependencies, for example improvement in the completeness and quality of member data, and efficiencies to the delivery of administration services being provided through benefit calculation automation and online member services. Where these issues are not being addressed and considered as integral parts and interdependencies of the transition project then ***there is the risk that you are replacing a like for like administration service from Capita to WYPF with all its inherent problems.***”
- 1.7 We are not appointing a service provider, rather we are entering into a shared service partnership with WYPF and their existing clients. We will be treated akin to the existing client by the same multi-client teams (with the exception of the staff devoted to addressing our backlog issues). The quality of the service received by Lincolnshire and Hounslow was investigated prior to their selection. Monitoring of WYPF performance will be conducted both directly with the administrator and also as part of multi-client meetings.
- 1.8 We accept that there is risk in moving to WYPF, although these are more relevant to the existing clients who run the risk of service quality dilution as WYPF focus on onboarding LBB. The likelihood of service quality taking time to achieve the levels currently delivered by WYPF is recognised and will form part of the monitoring process.
- 1.9 The fifth recommendation, (medium risk) concerns the evidencing of progress with the Capita data remediation plan undertaken during quarters 2 and 3 of 2020. Agreement of the data remediation plan including Capita making available additional resources was a significant achievement post the announcement of the move to WYPF in tackling the case backlog. Monitoring of the project was undertaken via fortnightly progress reports from Capita and

our weekly CMM Business Continuity calls. The LBB Pensions Team has been involved in the project in liaising with employers to collect the missing information.

1.10 The other three medium risks concern the documentation of the project and have been accepted. The key mitigating factor was the frequency and coverage of the project transition meetings.

1.11 In conclusion, the move to WYPF was completed in accordance with the agreed timetable, WYPF have satisfactorily taken on their responsibilities as evidenced by the administration report and while there remain critical data issues, we remain confident that these will be addressed.

2. REASONS FOR RECOMMENDATIONS

2.1 It is appropriate for the Board to review the Internal Audit findings and managements planned actions.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None - statutory function

4. POST DECISION IMPLEMENTATION

4.1 The Board will be informed of IA's follow up review of their recommendations.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 A positive Internal Audit report on the Pension Fund's activities plays a key role in providing assurance that the Pension Fund's financial risks are managed in an environment of sound stewardship and control.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 N/A.

5.3 Social Value

5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

5.4.1 The Board's Terms of Reference include "ensuring the effective and efficient

governance and administration of the LGPS for the LBB Pension Fund”.

5.5 Risk Management

5.5.1 The audit report attached highlights areas that Internal Audit consider require improvement. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public-sector equality duty.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not required.

5.8 Insight

5.8.1 N/A.

6. BACKGROUND PAPERS

6.1 N/A.