

Internal Audit Report

Pensions Administration Governance Transition

December 2020

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

Executive Summary

Number of findings by risk category				
Critical	High	Medium	Low	Advisory
-	4	4	2	-

Scope

This review has been undertaken as part of the London Borough of Barnet Internal Audit & Anti-Fraud Strategy and Annual Plan 2020-21, which was presented to the Council's Audit Committee on 14th July 2020. **The review was undertaken to support management in providing assurance on the Transition to the Pension Fund Committee.**

A decision was made by the Council on 3 March 2020 to transfer the administration of the Barnet Pension Fund from Capita to the West Yorkshire Pension fund (under a Section 101 delegation to Bradford City Council (City of Bradford Metropolitan District Council; CBMDC)).

West Yorkshire Pension Fund (WYPF) provides pension administration and pensioner payroll services. The fund currently administers the Local Government Pension Scheme (LGPS) in West Yorkshire, Lincolnshire and London Borough of Hounslow and the Firefighters' Pension Scheme (FPS) for a number of Fire Authorities and is the largest FPS administrator in England. WYPF's business model is to take on third party pension administration through a shared service arrangement. This enables WYPF to reduce its administrative cost per member and also the third party's cost per member.

This project will transfer the administration of the LGPS for the London Borough of Barnet (LBB) and other participating employer's membership and pensioner payroll service from Capita to WYPF. The project started with the selection of WYPF as preferred provider and will conclude with the administration of LBB's membership and pensioner payroll becoming the responsibility of WYPF from the 1 November 2020.

Summary of findings

This review was performed in July and August 2020 to provide assurance over the governance of the pensions administration transition project before go-live on the 1 November 2020. The draft report was issued in September and management comments were provided in October. Due to the delays finalising the report, as a result of being unable to reach agreement on the findings raised, we have included management comments in response to our findings. As the pensions administration has now transitioned to WYPF as of 1 November 2020 and some of the findings of the review have been superseded by events, the management action plans aim to build a way forward to address the concerns raised in this report and known ongoing data improvement issues inherited by WYPF.

The transition of the pensions administration has arisen as a result of poor service provision from the incumbent administrator which resulted in regulatory involvement back in 2017 and the issue of a fine and an improvement notice in July 2019. The Pensions Regulator stated in their regulatory intervention report dated October 2019;

"As a result of our ongoing engagement with the scheme manager we uncovered a number of weak governance processes within the fund, which included a lack of oversight covering member data quality and the payment of contributions. We also had concerns about delays in providing information to members, and that these had not been reported to us in a timely manner. During our engagement there was a lack of consistent oversight in the senior leadership team in charge of pensions, which led to delays in establishing the full extent of the challenges being faced and steps being taken to address them".

The pensions administration transition project's key deliverable is the transition of pension administration from Capita to WYPF by the 1 November 2020. The project deliverables, i.e. the project initiation document (PID) exclude from its remit two fundamental areas which are critical to the success of the pension administration function at WYPF, namely the improvement of member data and the level of benefit calculation automation which is to be achieved. If these areas are not addressed prior to transition of the administration, then WYPF will effectively inherit poor quality data and the benefits of transitioning to a new administrator may not be realised.

This review has identified 4 high, 4 medium and 2 low risk findings.

We identified the following findings as part of the audit:

- **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.

The pensions administration project commenced on 18 March 2020 but the PID was not signed off by the Project Board until the 23 June 2020. The PID was further amended to incorporate changes to the High-Level Plan and re-signed off on 24 July 2020. The PID brings together all the key documentation needed to start and

run the project and is typically signed off by the project sponsor before the project commences. As the PID has now been signed off no further action is required and this has not been included in section 2.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
1	<p><u>No data improvement plan has been agreed with WYPF to address the backlog of cases post transition</u></p> <p>The Capita remediation plan will not resolve the backlog of cases at Capita by 1 November when the administration transitions to WYPF. 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.</p> <p>The Project Director has confirmed that the remediation plan is not considered a project interdependency and is being managed as part of business as usual activity. Capita will be in place post the transition until 31 January 2021 and will provide support to LBB as and when required.</p> <p>We note the last letter sent to The Pensions Regulator (tPR) is dated May 2020 outlining the progress made to date in respect to the regulator improvement notice issued 25 July 2019; a key component of this is the Capita remediation plan.</p> <p>The regulator should be considered a key stakeholder to the pensions</p>	<p>If detailed plans are not in place to address the backlog, then there is a risk that the issues arising under the Capita pensions administration will transfer to WYPF and the anticipated administration efficiencies will not be realised. This could result in reporting duties not been met and further regulatory scrutiny.</p>	<p>High</p>	<p>The transition plan was aimed at ensuring that all the membership data held by Capita as at the date of transition was accurately transferred to WYPF and that WYPF had a structure in place to deliver the administration service to a desired standard.</p> <p>While both WYPF and LBB recognised that a subsequent data improvement plan will be needed, it was not considered appropriate to plan in detail until the state of the data to be transitioned was known to WYPF post transition.</p> <p>LBB was during 2019 and the first half of 2020 in regular contact with TPR concerning our actions to address the Improvement Notice. It was the TPR who in June 2020 communicated the wish that we cease regular updates on our</p>	<p>Discussions with WYPF have commenced as planned post transfer to identify key priorities, including data gaps and resolving backlog cases. It is anticipated that a plan will be agreed during quarter 1, 2021. Timescale to complete will be determined by the contents of the action plan.</p> <p>Responsible officer: George Bruce (Head of pensions)</p> <p>Target date: Priorities Action Plan – 31 March 2021</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p>administration project and referenced as such in the PID and reports on progress in respect to the remediation measures should be provided at regular intervals to keep any further regulatory intervention at bay.</p>			<p>actions against the Improvement Plan unless new breaches occurred. The Regulator had already in October 2019 published the outcome of their regulatory intervention and are aware of the change of administrator. We have recently informed TPR of breaches connected with the issue of the 2020 annual benefit statements.</p>	
2	<p><u>No data improvement plan has been agreed with WYPF to improve the quality and completeness of member data post transition</u></p> <p>Currently no plan has been agreed with WYPF to address the quality and completeness of data and any additional costs for LBB that this may incur.</p> <p>Guidance issued by tPR states; <i>“If you identify issues of poor quality or missing data, you’ll need to put in place an improvement plan. This should have specific data improvement measures, which you can monitor and track. The plan should have an end date within a reasonable timeframe,</i></p>	<p>If poor quality or missing data issues are not being addressed by an improvement plan, then there is a risk of scrutiny and intervention from the regulator.</p>	High	<p>Please see management response above.</p>	<p>As discussed above, a data improvement plan will be agreed with WYPF that will have specific data improvement measures and timelines, which will be monitored and tracked. Progress against the agreed data improvement plan will be reported to the Pension Fund Committee.</p> <p>Responsible officer: George Bruce (Head of Pensions)</p> <p>Target date:</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p><i>with a view to having complete and accurate data”.</i></p> <p>Any communications with tPR should reference to plans which have been put in place to address the quality of member data.</p>				<p>Priorities Action Plan – 31 March 2021</p>
3	<p><u>No benefit calculation automation schedule in place</u></p> <p>We note from review of the project documents and WYPF contract that there is no benefit calculation automation schedule in place.</p> <p>Furthermore, no workstream has been established for benefit calculations which we typically see in administration transition projects.</p> <p>As the level of benefit calculation automation has not been established upfront in the contract this could result in the anticipated benefits of transitioning the administration not materialising, namely increased administration efficiency. In addition, without automation the members ability to access instant retirement quotes or transfer values via an online member portal is not possible.</p> <p>Benefit automation has two primary objectives: (1) increase administration</p>	<p>If benefit calculation automation is not in place, then there is an inherent risk of errors through manual benefit calculations which may create inefficiencies in pension administration and an increase in member complaints.</p>	<p>High</p>	<p>The extent of calculation automation was part of the criteria used in the selection of WYPF. Currently 95% of calculations are automated, including the most frequently used calculations. The monitoring of the relationship with WYPF will include discussions on the potential for process improvements.</p>	<p>Benefit process will be routinely discussed with WYPF.</p> <p>Responsible officer: Mark Fox (Pensions Manager)</p> <p>Target date: Not applicable</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p>efficiency and (2) reduce risk. In terms of administration efficiency this has a direct impact on:</p> <ul style="list-style-type: none"> the number of FTEs required (and therefore costs); the ability to flex resources to react to peak demand (the theory being that specialist knowledge of the Scheme would not be required). <p>We find that there is often a relationship between the level of calculation automation and member complaints, for example complaints from calculation error or the time taken to respond to queries.</p> <p>There should be a clear contractual commitment from WYPF as to the artefacts it is inheriting, including automation matrices, data dictionary and scheme documentation, for example admin manuals that underpin automation are created and maintained throughout the life of the contract.</p>				
4	<p><u>The project and subsequent project reporting do not consider necessary improvements required to the pension administration provision and key interdependencies</u></p>	<p>If the project and subsequent reporting does not consider improvements that</p>	<p>High</p>	<p>To provide an administration service requires people, systems, processes and data. The only one of these moving to WYPF is data. We</p>	<p>For data remediation and reporting, see action plans against findings 1 and 2.</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p>From review of the Project Board highlight report provided for review for the periods 2,3 and 4 (May, June and July 2020) we note that the project is running to time and all milestones are RAG rated green. The only issue we noted during the period RAG rated red was in relation to the Capita remediation plan which was initially considered to be a potential project interdependency. Through discussion with the Project Director we noted that it was subsequently decided that the remediation plan is not considered to be a project interdependency and is monitored separately.</p> <p>Through our experience of administration transition projects, there are always issues noted throughout the duration of the project which present deviation from initial plans or delays arising, and therefore routinely not reported with a RAG status of green. 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</p>	<p>need to be made to the administration service, then there is a risk that the issues arising under the Capita pensions administration will transfer to WYPF and the anticipated admin efficiencies will not be realised.</p>		<p>will inherit the WYPF team, systems and processes and from day one the service will be delivered in the WYPF manner which is an award-winning service. The only area of improvement is around data which is discussed in recommendation 1 and 2.</p>	

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p>administration services being provided through benefit calculation automation and online member services.</p> <p>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.</p>				
5	<p><u>Capita remediation plan to address the backlog of cases does not provide clear data on progress made</u></p> <p>A remediation plan is in place to address the backlog of cases at Capita prior to the pensions administration transfer to WYPF.</p> <p>Through review of the remediation plan and discussion with the Project Director we note that the baseline number of cases identified for processing has increased since project inception. The format of the remediation plan does not provide clear data to enable an informed assessment of the progress made by Capita to date.</p>	<p>If the remediation plan does not provide clear data on the backlog of cases which have been cleared, then there is a risk that LBB are paying money to Capita in error which does not represent best value for members of the pension scheme.</p>	Medium	<p>The payment of LBB's contribution to the data remediation plan will be agreed after verification of the work completed by Capita.</p>	<p>As requested at the October Pension Fund Committee meeting, a report will be submitted detailing the financial arrangements relating to the termination of the Capita contract for pension administration. The report will include reference to costs incurred by the pension fund due to poor performance by the administrator.</p> <p>Responsible officer: George Bruce (Head of Pensions)</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p>We would expect Capita to provide work management stats to demonstrate the progress of work, the prioritisation of work performed and a RAG status against the work items. It is critical to understand the aging of work items so that disclosure breaches do not occur.</p> <p>LBB have committed to paying Capita additional monies for the additional resources at Capita required to clear the backlog and so it is critical that progress reporting demonstrates the work that has been completed. The Project Director has confirmed that the remediation plan is monitored on a fortnightly basis and the level of progress has been escalated to senior management at Capita.</p>				<p>Target date: 24 Feb 2021</p>
6	<p><u>Project risk register is not routinely reviewed and updated</u></p> <p>From review of the risk register we note that since it was created only one new risk has been added. There is no evidence within the Project Board minutes that the risk register is reviewed and updated.</p> <p>From review of the PID we note that the risk register should be circulated amongst the project team on a</p>	<p>If the project risk register is not routinely reviewed and updated, then there is a risk that project risks are not being actively monitored and managed.</p>	<p>Medium</p>	<p>Agreed.</p>	<p>The finding will be considered as part of the formal project debrief and captured in the lessons learnt.</p> <p>Responsible officer: Nigel Keogh (Project Director)</p> <p>Target date: 31 January 2021</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p>fortnightly basis. From review of the emails and supporting documentation circulated to the project team for the period 27/04/20 to 03/08/20 the risk register was only circulated once on the 27/04/20.</p> <p>The Project Director confirmed that since inception there has been only one additional risk added to the risk register.</p> <p>From review of the risk register we note that it is light on the number of project risks that we would anticipate being on the register. For example, the following were noted as potential risks through review of the minutes but are not featured on the risk register:</p> <ul style="list-style-type: none"> • delay in signing the WYPF contract and s101 agreement • deficiencies in member data at WYPF take on stage • failure of Capita to deliver on the remediation plan • member calculation automation at WYPF • Annual Benefit Statements (particularly given historic issues) 				

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<ul style="list-style-type: none"> TUPE given the number who will accept the transfer is unknown. <p>A project risk register is an important component of the overall risk management framework since it records all identified risks in the project. The risk register should be a dynamic document that is routinely reviewed, considers the impacts downstream and where any further mitigation measures are required and updated throughout the duration of the project.</p>				
7	<p><u>Workstream task list is not sufficiently detailed</u></p> <p>The workstream task list is utilised by the project team for monitoring the completion of tasks by project workstream. An updated version of the task list is circulated amongst the project team prior to each fortnightly meeting.</p> <p>From review of the workstream task list we note the following:</p> <ul style="list-style-type: none"> Target date is not inserted for all tasks; 'Completion' inserted for completed tasks but not the date to 	<p>If the workstream task list is not sufficiently detailed then there is a risk that key project tasks, reconciliations and sign offs may not be performed and impact on the success of the admin transition.</p>	<p>Medium</p>	<p>While the direction of the comments is accepted, the key mitigating factor is the frequency and coverage of the project transition meetings.</p>	<p>See post transition report in the action plan for finding 6.</p> <p>To address the data gaps, see action plans for findings 1 and 2.</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	<p>be able to assess if the project is running to timetable or not;</p> <ul style="list-style-type: none"> • No named back up for each workstream task (this is called out as the highest risk on the risk register); • No comms workstream task list; • The workstream task list is not sufficiently detailed, for example we would typically see for data transfer (initial cut) a more detailed workplan that would include for example: Provide cut of test data, map test data and peer review, mapping document agreed by WYPF, data mapping document sign off, confirm mapping complete, etc.; • The plan does not build in key reconciliation points to ensure that the data extracts from Capita are complete; • No evidence in the plan of benefit calculations to be signed off by the actuary; and • Dependencies are not inserted for all tasks. 				

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
8	<p><u>Instances of non-attendance at Project Board meetings by core Project Board members</u></p> <p>From review of the Project Board minutes for the period 30/04/20 to 24/07/20 we noted that the Chair and Project Sponsor has not attended any of the meetings. It should be noted that the Chair's alternate has attended all four meetings in the period in the Chair's absence. The Project Director confirmed that the Project sponsor is appraised of the project by their alternate on a weekly basis.</p> <p>The project sponsor has a key role in promoting and overseeing the project and is accountable for ensuring the realisation of the specified benefits over time.</p> <p>We also note another Project Board member who has not attended two meetings and their designated alternate did not attend in their absence.</p>	<p>If Project Board meetings are not attended by all core members of the Project Board then there is a risk that there is insufficient oversight and accountability which may result in the benefits of the project not being realised.</p>	<p>Medium</p>	<p>Agreed.</p>	<p>See formal project debrief and lessons learnt action plan in finding 6.</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
9	<p><u>s101 agreement with WYPF is not in place</u></p> <p>The s101 agreement to discharge the pension administration function to WYPF is not yet in place. Project Board minutes dated 24 July 2020 flag the s101 agreement as still outstanding. We note that this is not an item listed on the workstream task plan or flagged as an issue on the risk register.</p>	<p>If the s101 agreement is not in place with WYPF then there is a risk that LBB has not legally discharged its pension administration function.</p>	Low	<p>The S101 agreement was fully signed and sealed by WYPF on 3 July 2020.</p>	<p>See formal project debrief and lessons learnt action plan in finding 6.</p>
10	<p><u>No collaboration tool in place for project document sharing and/or editing</u></p> <p>All project documentation for example minutes, workstream task list, risk register is maintained and updated by the Project Director who will circulate relevant documents to the Project Board, Project team and Finance team as appropriate.</p> <p>There are no collaboration tools that are available where documents can be stored, shared and edited across all relevant parties. The Project Director confirmed that options were explored at the commencement of the project, but no solution was found that could be utilised across all parties.</p>	<p>If a collaboration tool is not utilised for key project documentation, then there is overreliance on one key individual which creates a business continuity risk for the project.</p>	Low	<p>Agreed.</p>	<p>This will be considered as part of the formal project debrief and lessons learnt action plan in finding 6 – and the use of Teams will be considered for future projects.</p>

Ref	Finding	Risks	Risk category	Management Response at 27 November 2020	Agreed action
	As a result, there is a business continuity risk as the documents are maintained by one key individual, the Project Director.				

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Note: the criteria should be treated as examples, not an exhaustive list. There may be other considerations based on context and auditor judgement.

Risk rating	
Critical 	Immediate and significant action required. A finding that could cause: <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged workplace stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high-profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause: <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed; some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	A finding that could cause: <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	A finding that could cause: <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Reasonable 	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited 	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No 	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Pensions administration project structure	-	-	-	-	2	2	1	1	6
Project plans	-	-	4	-	-	-	-	-	4
Total	-	-	4	-	2	2	1	1	10

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate; however, the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed: 14/07/20	Fieldwork commenced: 27/07/20	Fieldwork completed: 21/08/20	Draft report issued: 11/09/20	Management comments received: 23/10/20 & 27/11/20	Final report issued: 15/12/20

Appendix 3 – Identified controls

Area	Objective	Risks	Identified Controls
<p>Pensions administration project structure</p>	<p>The pensions administration project structure sets out:</p> <ul style="list-style-type: none"> • Clearly defined project objectives from which to measure success. • Clearly defined roles and responsibilities across LBB, Capita and WYPF, which is defined in the project plans and contract commitments, including a project sponsor, Project Board oversight, project coordinator and project workstream leads. • Detailed project plans, timelines, owners and project milestones for individual workstreams. • A project risk register(s) to capture and monitor project risks. 	<p>The Council could be subject to scrutiny from the regulator and face potential reputational and/ or financial loss if:</p> <ul style="list-style-type: none"> • The pensions administration project is unsuccessful and fails to deliver its key objectives; • There is inadequate governance and oversight of the project, resulting in a failure to deliver the project within agreed timelines; and • The administration transfer is not successful, resulting in members benefits not being paid at all or on time. 	<ul style="list-style-type: none"> • Project Initiation Document in place setting out the project objectives and structure. • The PID sets out the roles and responsibilities across the project including Capita and WYPF. There is a project sponsor and oversight from the Project Board. The project is co-ordinated by the Project Director with support from the project workstream leads. • The Project Board meet on a monthly basis and receive a project highlight report detailing the status of the project and any other documents relevant for their attention. • The project team meet on a fortnightly basis and receive an updated workstream task list. The workstream list sets out the project tasks that need to be completed and the timelines for delivery. • Project team leaders meet on a weekly basis to discuss if there are any issues arising which may affect the delivery of the project and any issues are added to the action log. • All meetings have agendas and are minuted. • A project risk register is in place that captures identified project risks. • A communications plan is in place that sets out the stakeholders, method, owner and timings for communications to be made.

	<ul style="list-style-type: none"> Tracking of progress and the dissemination of information. A clearly defined communications plan that includes how the delivery of the project against agreed deliverables and timescales will be communicated to the Project Board and Local Pensions Board. 		<p>The following issues were identified in this project area:</p> <ul style="list-style-type: none"> Finding 5 - Capita remediation plan to address the backlog of cases does not provide clear data on progress made. Finding 6 – Project risk register is not routinely reviewed and updated. Finding 7 - Workstream task list is not sufficiently detailed. Finding 8 - Instances of non-attendance at Project Board meetings by core Project Board members. Finding 9 - s101 agreement with WYPF is not in place. Finding 10 - No collaboration tool in place for project document sharing and/or editing.
<p>Project plans</p>	<ul style="list-style-type: none"> There are detailed project plans that cover all the issues/risks identified in the planning stages of the project including (but not limited to) data improvement, resource, process and technology. 	<ul style="list-style-type: none"> If project plans are inadequate and fail to deliver on the planned objectives and benefits of the administration transition, then this may result in service levels to members not improving and increased scrutiny from the regulator. 	<ul style="list-style-type: none"> A Capita remediation plan is in place to address the backlog of cases at Capita prior to the administration transition to WYPF. The workstream list sets out the project tasks that need to be completed and the timelines for delivery. <p>The following issues were identified in this project area:</p> <ul style="list-style-type: none"> Finding 1 - No remediation plan has been agreed with WYPF to clear the backlog of cases that will be inherited on transition. Finding 2 - No data improvement plan has been agreed with WYPF to improve the quality and completeness of member data post transition. Finding 3 - No benefit calculation automation schedule in place.

			<ul style="list-style-type: none">• Finding 4 - The project and subsequent project reporting does not consider necessary improvements required to the pension administration provision and key interdependencies.
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Appendix 4 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor’s work

We have undertaken the review of Pensions Administration Governance Transition, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Specifically, we will not:

The responsibility for identifying and mitigating project risks rests with LBB and we do not accept any responsibility for identifying project risks, nor can we guarantee that this review will enable you to identify all of the potential risks to which LBB is exposed. As such our review should not be expected to highlight all possible internal control weaknesses that a more extensive compliance review might identify.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management’s responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.