



Pension Fund Committee

26 July 2021

Title	Internal Audit Report – Pensions Administration Governance Transition
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Internal Audit Report
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Summary

Barnet's Internal Audit have undertaken a review of the management of the transition of administration services to West Yorkshire Pension Fund. Their draft report is attached.

Officers Recommendations

1. That the Pension Fund Committee note the Internal Audit report.

1. WHY THIS REPORT IS NEEDED

- 1.1 Barnet Internal Audit undertook a review of the governance of the pension administration transition to West Yorkshire Pension Fund (WYPF) during July & August 2020 and ongoing thereafter. IA's report is attached. There are five recommendations, although at a summary level this is quoted as six:

Partly Implemented

Continuing to monitor and report on the data improvement plan.

Monitoring controls around calculations that are not fully automated.

Further circulate the 'lessons learned' report for feedback from external parties involved in the transition.

Addressing the backlog of admissions, cessations and bonds (previous IA finding)

Fully Implemented

Report to Pension Fund Committee of additional administration costs incurred.

- 1.2 Further details on each of the partly implemented conclusions are given below.

Data Improvement Plan

- 1.3 The need for data improvement has been evident since the 2016 triennial valuation and increased in focus following the involvement of the Pension Regulator in 2017/18. Initially, the plan to address the backlog of data gaps agreed with the previous administrator utilised the team allocated to Barnet, although that team was supplemented by additional staff at shared cost in 2020. Progress was made in updating members records over that time, although we still had to report problems in issuing 2020 annual benefit statement and the 2019 triennial valuations (completed spring 2020) highlighted continued data gaps.
- 1.4 The data improvement plan undertaken by Capita ceased October 2020 as data was made ready for the move to WYPF. There followed a period of bedding in the transferred data and catching up with cases placed on hold during the transition. It was agreed pre-transition that WYPF would undertake a data review and produce their own data improvement plan. This is fully reported under agenda item 7 (para 1.11). In essence 50% of the gaps identified by WYPF have been corrected between March 2021 and July 2021. As noted in the administration report, those data issues impacting on annual benefit statements have a target resolution date of 31 July 2021 and the remainder by end 2021.

Success will be measured by full issuance of ABS's and by testing the data through the Actuaries portal circa Autumn 2021. WYPF will also be undertaking common and conditional data quality scores July and December 2021.

Controls for manual Calculations

- 1.5 Running an efficient administration service is enhanced by a high level of benefit calculation automation. This was one of the reasons for appointing WYPF and is supported by the activity level; In the three months to 31 May 2021 period 1,622 calculations were undertaken of which 3 contained a manual element. This equates to 99.82% fully automated. During June 2021 all calculations were fully automated. WYPF have agreed to report numbers of calculations that contain a manual element and although we consider the processes around manual calculations to be robust (workflows & templated to guide the calculations, work undertaken and checked by senior pensions officers and periodic checking of calculations by WYPF Actuary) we have agreed that the internal Barnet team will review a sample to check reasonableness.

Lessons Learned Report

While all the evidence points to the transition as being successfully concluded, IA identified aspects of the governance that could have been improved. A lesson learned report was prepared and IA have recommended that other parties involved in the transition are given an opportunity to comment on the report.

Admission, Bonds and Cessations

- 1.6 While not related to the transition, IA have commented on a previous recommendation on addressing the backlog of admissions, cessation and bonds. There is a separate paper on this issue, agenda item 9, which discussed progress.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 The actions discussed in the paper are ongoing and progress will be reported at each Committee meeting and in respect of the data plan also to the Local Pension Board.

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 Constitution states that the Committee has responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund. The matters discussed in the report are considered relevant to the reports they receive on investment activity, participating employers, financial management and budgetary control.

5.5 Risk Management

- 5.5.1 The audit report attached highlights areas of good control and areas of weakness which need to be addressed. 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 parts 2) and 3) (above) of 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

None.