

Internal Audit Report

Pensions Administration Governance Transition – Follow-up July 2021

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We would like to thank management and staff of Barnet Council for their time and co-operation during the internal audit follow-up.

1. Executive Summary

Overall implementation level	Action status			
Partially Implemented	Superseded or closed	Not implemented	Partially implemented	Fully implemented
	0/0	0/6	5/6	1/6
Scope				
<p>This follow-up review was undertaken as part of the 2020/21 Internal Audit and Anti-Fraud Strategy, which has been approved by the Council's Audit Committee on 14 July 2020.</p> <p>An internal audit review was undertaken in July and August 2020 to provide assurance over the governance of the pensions administration transition project from Capita to West Yorkshire Pension Fund (WYPF) 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 included management comments in response to our findings. As the pensions' administration transitioned to WYPF as of 1 November 2020 and some of the findings of the review were superseded by events, the management action plans aimed to build a way forward to address the concerns raised in the report and known ongoing data improvement issues inherited by WYPF.</p> <p>The audit identified four high risk, four medium risk and two low risk findings, which required a total of five agreed actions to be taken forward.</p> <p>As part of this follow up review, we have also followed up one partially implemented management action arising from a high risk finding in respect to admissions, cessations and bond agreements from the July 2019 "Pension Fund Finance and Investment" review.</p> <p>This Follow up review was completed in April and May 2021 to follow up six management actions in total. After the completion of this review, five actions had not been fully implemented.</p>				
Summary of findings				
<p>We identified that five of the six actions were partially implemented and one action has been fully implemented.</p> <p>One (17%) agreed action has been fully implemented:</p> <ul style="list-style-type: none"> • See reference 5. Transition and remediation costs report was provided to the Pension Fund Committee at the February 2021 meeting (Medium risk finding). <p>Five (83%) agreed actions have been partially implemented:</p> <ul style="list-style-type: none"> • See reference 1, 2 & 4 (Consists of two management actions). As a number of the data issues affect a number of top priorities for the Scheme including the annual benefit statements, pension savings statements and incorrect calculations, there is still a significant amount of work required before critical data issues will be resolved. As WYPF and Barnet are in the early stages of resolving the data issues this action has been deemed partially implemented. (Three high risk findings). 				

- See **reference 6-10 (this is one management action)**. Note the lessons learnt has been pulled together by the Strategic Pensions Consultant in isolation of the Project team. Furthermore, the lessons learnt have not been shared with the Project team. (Three medium and two low risk findings).
- See **reference 2a**. 3/13 or 23% admission agreements and 1/10 or 10% bonds and bond renewals are still outstanding. (One high risk finding).
- See **reference 3**. Automation target has been set at 98% and WYPF has achieved this. Plans for ongoing monitoring of benefit calculation automation and reporting to the Local Pension Board are still to be embedded into the governance process. (High risk finding).

2. Findings and Action Plan

No.	Action agreed	Audit procedure	Outcome	Status	Further action required
<p>Finding 1 No data improvement plan has been agreed with WYPF to address the backlog of cases post transition (High risk)</p> <p>Finding 2 No data improvement plan has been agreed with WYPF to improve the quality and completeness of member data post transition (High risk)</p> <p>Finding 4 The project and subsequent project reporting do not consider necessary improvements required to the pension administration provision and key interdependencies (High risk)</p>					
1, 2 & 4	<p>Finding 1: 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.</p> <p>Timescale to complete will be determined by the contents of the action plan.</p> <p>Finding 2:</p>	<p>We will:</p> <p>a) Obtain the plan agreed between LBB and WYPF to identify key priorities, including a data improvement plan and a plan for resolving the backlog of cases.</p> <p>b) Review the data improvement plan and plan for resolving the backlog of cases to ensure that actions and owners are assigned and timescales to complete are reasonable.</p> <p>c) Where applicable, we</p>	<p>WYPF have prepared a data improvement project plan which was shared with Barnet at the end of March 2021.</p> <p>We inspected the data project tasklist and noted that it sets out at a high level the data tasks that need to be completed, the resulting impact if not actioned, the action owner and the deadline. The number of affected entries is not detailed on the tasklist.</p> <p>The deadlines run from 25 March to 31 July 2021. As at 19 April 2021 only one of the three tasks due has been completed. A further update has been provided at May 2021 and four of the seven tasks due had been completed. Barnet has agreed the prioritisation of data tasks with WYPF.</p> <p>In addition to the data improvement plan, WYPF are providing a data quality update report which highlights the starting position of the number of technical data fields missing and the position as at 31 May 2021.</p> <p>WYPF provide updates on a fortnightly basis. It is not clear from the data quality progress reports how the summary of current issues interacts with the data project tasklist. The link between the data project tasklist and progress reporting needs to be clear.</p> <p>The Pensions Manager confirmed that going forwards the admin calls with WYPF would include a standing agenda item re the data improvement plan.</p> <p>WYPF have also committed to providing an updated common and conditional quality check and provide the data scores in July 2021.</p>	<p>Partially Implemented</p>	<p>a) LBB Pensions team need to continue to monitor WYPF progress against delivering the data improvement project plan that provides clear numerical progress reporting against each task (including the starting and current position) and agreed deadlines. The link between the data project tasklist and progress reporting needs to be clear.</p> <p>b) Progress against the data improvement plan to be included as a standing agenda item on the pensions admin calls between LBB and WYPF. Reports provided to LBB should be used as the basis for monitoring WYPF progress with resolving the data remediation plan and other Scheme priorities for example issuing annual benefit statements.</p> <p>c) Reporting to the Pension Fund Committee on 26 July 2021 will provide key numerical data to demonstrate WYPF progress made against the remediation plan and other priorities for the Scheme.</p>

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	<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>Finding 4:</p> <p>For data remediation and reporting, see action plans against findings 1 and 2.</p>	<p>will request a sample of supporting evidence to validate that the data improvement plan and plan for resolving the backlog of cases are being monitored and resolved.</p>	<p>WYPF has also been working through the backlog of cases (3,454) inherited from Capita. As at 9 June 2021 this number has reduced to 1,493.</p> <p>WYPF progress against the data remediation plan, outstanding items inherited from Capita and missing member data has been reported to the Pension Fund Committee on the 4 May 2021. No numerical data has been provided to the Committee in respect to the progress against the remediation plan including the circa 1500 members missing leaver forms.</p> <p>As a number of the data issues affect a number of top priorities for the Scheme including the annual benefit statements, pension savings statements and incorrect calculations, there is still a significant amount of work required before critical data issues will be resolved. As WYPF and Barnet are in the early stages of resolving the data issues this action has been deemed partially implemented.</p>		<p>Responsible Officer: Mark Fox, Pensions Manager</p> <p>Target Date: 31 July 2021, with the exception being the “Outstanding leavers” which has a rolling target date but with the aim of completing by 31 December 2021. (It is dependent on information being provided by many employers).</p>

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Finding 3 No benefit calculation automation schedule in place (High risk)					
3	Finding 3: Benefit process will be routinely discussed with WYPF.	We will: a) Obtain evidence of formalised minutes to demonstrate that the benefit process, including benefit calculation automation, has been discussed with WYPF.	<p>A process document has been provided by WYPF that sets out the process for testing automated calculations set up in the system.</p> <p>The Pensions Manager has requested that the benefit calculation automation is added as a standing agenda item moving forwards at the WYPF Management Review meeting which is held every two months.</p> <p>WYPF has provided reporting that demonstrates for the period 1 March 2021 to 31 May 2021 that a 99.82% automated benefit calculation rate has been achieved. The agreed target is 98% and so WYPF has exceeded the target set.</p> <p>There are a small number of cases that will be non-automated and WYPF has provided detail of the controls in place in respect to manual calculations.</p> <p>WYPF have agreed to log any non-automated cases and to include these as part of their monthly report update. Reports to the Local Pension Board will include the level of automated benefit calculations.</p>	Partially Implemented	<p>a) Reporting to be provided to the Local Pension Board that outlines the current level of benefit calculation automation achieved for the Scheme. The first update will be provided to the Local Pensions Board on 12 October 2021.</p> <p>b) Ongoing monitoring of non-automated benefit calculation cases to be included as a standing agenda on the WYPF Management Review meeting commencing from 27 July 2021.</p> <p>c) The Council to agree with WYPF how assurance (controls report or WYPF internal audit activity) can be obtained to provide comfort that the controls in respect to the manual calculations and controls more broadly are operating effectively.</p> <p>Responsible Officer: Mark Fox, Pensions Manager</p> <p>Target Date: Ongoing</p>

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Finding 5 Capita remediation plan to address the backlog of cases does not provide clear data on progress made (Medium Risk)					
5	<p>Finding 5:</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>We will:</p> <p>a) Obtain the report detailing the financial arrangements relating to the termination of the Capita contract for pension administration.</p> <p>b) We will review the report and confirm that it includes reference to costs incurred by the pension fund due to poor performance by the administrator.</p>	<p>Transition and remediation costs report provided to the Pension Fund Committee at the Feb 2021 meeting.</p> <p>The report includes the following key items;</p> <ul style="list-style-type: none"> • The costs relating to addressing the data gaps. WYPF are not charging any additional costs for addressing inherited data issues. Costs, c£28k in respect to the Capita remediation plan pre-transition are to be shared between Capita and LBB. Capita did not charge any additional costs for supporting the transition. • Capita failures to issue pension savings statements and any associated compensation to members are recoverable by the pension scheme. <p>No further action required from the Pension Fund Committee therefore action closed.</p>	Fully Implemented	N/a

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<p>Finding 6 Project risk register is not routinely reviewed and updated (Medium risk)</p> <p>Finding 7 Workstream task list is not sufficiently detailed (Medium risk)</p> <p>Finding 8 Instances of non-attendance at Project Board meetings by core Project Board members (Medium risk)</p> <p>Finding 9 s101 agreement with WYPF is not in place (Low risk)</p> <p>Finding 10 No collaboration tool in place for project document sharing and/or editing (Low risk)</p>					
6 to 10	<p>Finding 6: The finding will be considered as part of the formal project debrief and captured in the lessons learnt.</p> <p>Finding 7: See post transition report in the action plan for finding 6. To address the data gaps, see action plans for findings 1 and 2.</p> <p>Finding 8: See formal project debrief and lessons learnt action</p>	<p>We will:</p> <p>a) Obtain the lessons learnt document and evidence that this has been included within it.</p> <p>b) Obtain the agenda and formalised minutes from the lessons learnt process to ensure that relevant parties were consulted, and appropriate lessons were captured within the document.</p> <p>c) Validate that the results of the lessons</p>	<p>Post Implementation Report: Pensions Administration Transition Project including lessons learnt has been provided to the Pension Fund Committee dated 24 February 2021.</p> <p>Note the lessons learnt has been pulled together by the Strategic Pensions Consultant in isolation of the Project team. Furthermore, the lessons learnt has not been shared with the Project team. Finding 9 re delays in signing the s101 agreement with WYPF has not been included in the lessons learnt as agreed in the management action plan.</p> <p>The objective of a documented lessons learned is to provide future project teams with information that can increase effectiveness and efficiency and to build on the experience that has been learned by each completed project.</p>	<p>Partially Implemented</p>	<p>The documented lessons learnt should be shared with the wider Project Team with the opportunity for the Project team to add any further items as appropriate.</p> <p>Responsible Officer: Mark Fox, Pensions Manager</p> <p>Target Date: 31 August 2021</p>

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	<p>plan in finding 6.</p> <p>Finding 9: See formal project debrief and lessons learnt action plan in finding 6.</p> <p>Finding 10: This will be considered as part of the formal project debrief and lessons learnt action plan in finding 6 – and the use of</p> <p>Teams will be considered for future projects.</p>	<p>learnt exercise has been shared and discussed with Senior Management, including Director of Finance.</p>			
2a Admission agreements, bonds and cessation agreements (High Risk) - May 2020 “Pensions follow up review”					
2a	<p>We will promptly complete admission agreements, cessation agreements and renewals of admission bonds for all employers identified in</p>	<p>We will:</p> <p>a) Obtain, for each employer identified in the report to the Pension Fund Committee on 30 May 2019, the relevant</p>	<p>The list of outstanding admission, cessation agreements and bonds and bond renewals from the 30 May 2019 minutes was reviewed against the latest corresponding listings maintained by the Pensions Manager. From our review we noted the following:</p> <ul style="list-style-type: none"> • 3/13 or 23% admission agreements still outstanding • No cessation agreements outstanding • Bonds and bond renewals 1/10 or 10% still outstanding. 	<p>Partially implemented</p>	<p>a) Management to continue monitoring and chasing outstanding admission, cessation and bonds and bond renewals agreements.</p> <p>b) Management to ensure that trackers clearly show the audit trail of action taken to resolve and the date.</p>

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	the report to the Pension Fund Committee on 30 May 2019 to minimise risk to the Fund.	agreement to confirm the agreement has been completed.	From review of the listings it was not always clear from the update commentary the date the last action has been taken.		Responsible Officer: Mark Fox, Pensions Manager Target Date: 31 December 2021