

Highlight Report – Pensions Internal Audit Action Progress

Date of report		Upcoming milestones		
Period Covered		Item	Due	Status
Prepared by				
Project Board				
Audit Priority				
Project Status				
Commentary				
<ul style="list-style-type: none"> Since the first pensions internal audit report meeting in June, work has been progressing with the actions outlined in the audit report. The actions are being treated as high priority by the service. ITM have completed their analysis for Surrey and Hillingdon records. They are putting together a proposal on their suggestions for the next steps. ITM results for the address tracing exercise have been returned, and will provide data improvements in line with TPR code of conduct. A second options paper has been provided to the pension funds to confirm the full trace. GMP – There has been a delay caused by HMRC on the GMP project, as they have announced that they have reviewed the solution for automatically allocating payments received from pension schemes for individual members of their scheme. They will shortly be publishing details on the process all schemes will need to follow. This additional action will impact on the original timeline HMRC published for the issue of the final data cuts. JLT are in communication with HMRC regarding the position with the CEP payments and the process they are rolling out. They will confirm the position once known. 		ITM analysis work	31 st December	Green
		HMRC to provide final cut of data for GMP	December / January	Delayed
		i-connect implementation	1 June 2020	On Schedule

Finding	Action	Audit Priority	Action Update
<p>Review of Key Documents The Strategy, Business Plan, and Service Level Agreements are key documents that set out PAS operations. These were last approved by the SPFC in September 2017 on the basis of being reviewed annually. However, this review did not happen in 2018 and as such the documents do not reflect the current position. It is important for these underpinning documents to be updated and kept up to date in order for effective governance and management oversight to be embedded.</p>	<p>The Strategy and Service Level Agreement documents are being actively worked upon as at 24 April 2019. Plan for all documents to be updated by 30 June 2019. Documents will be reviewed regularly and updated annually or whenever major change occurs, whichever is sooner. Management of change will be tracked via monthly meetings between PAS and the Pension Fund Team.</p>	<p>Medium</p>	<p>Update provided by Chloe Painter 21st November 2019</p> <p>The draft Administration Strategy was presented on during the October Local Pension Board, with the view it will now be presented to the Surrey Pension Fund Committee in December, and consultation will run until the end of January 2020.</p> <p>The Service Specification was presented to the Local Pension Board in October, and is due to go to the Surrey Pension Fund Committee in December 2019, with an implementation date of 1st April 2020.</p>
<p>Changes to PAS procedures. Efforts are being made by management to secure additional investment to improve the performance of PAS and to address known issue, some of which are reported on in this audit and in our previous audit. We understand that an application for close to £0.5m is being made to fund the changes, although the source of this funding is not currently known to</p>	<p>The new PAS management team is in place with a new Lead Pensions Manager (joined in Feb 2019), Service Delivery Manager (day to day operational services to members and employers) and Support and Development Manager (key Fund and internal projects delivery) Staff now have Personal Development Plans. Team has been restructured aligned to skills with focus on ownership and accountability.</p>	<p>High</p>	<p>Update provided by Chloe Painter 21st November 2019</p> <p>This action is wrapped into the pension Service Improvement Plan and in line with original plans. Resources are in place and changes to PAS procedures will be in place from April 2020, as agreed. David John presented at the October Local Pension Board meeting to confirm the audit action deadlines were now April 2020.</p>

<p>us. At the date of audit, however, we have yet to see a clear business case that sets out what areas will be identified for remedial action, a timetable for action, and detailed plans that provide robust assurance that the current weaknesses will be adequately addressed.</p>	<p>A new trainee team has been established, bringing fresh ideas and energy into the existing team. Each key project now has clear governance and plans for delivery. The projects are managed under a program of work. Internal Audit will carry out a follow-up audit to review progress, once key deliverables are achieved over the Summer of 2019.</p>		
<p>ISAE 3402 assurance statement. PAS has not taken on any additional external work since November 2016. However a number of requests have been referred to us by PAS from both their external London Borough customers and their external auditors to seek access to both our audit report and the council's assurance report (ISAE 3402 report) on the PAS control environment. It would not be appropriate for us to share our audit report, given we do not audit the administration of funds of external customers. We do, however, endorse the position that PAS should</p>	<p>Plan to commission ISEA 3402 work to be carried out in liaison with S151 Officer.</p>	Medium	<p>Update on 19th November 2019</p> <p style="text-align: center;">This action remains open.</p>

<p>commission an independent ISAE 3402 assurance statement for the benefit of all of its customers, current and future.</p>			
<p>Procedure Notes. PAS procedures require numerous manual calculations to be checked and verified for accuracy and completeness before being paid. This includes payments relating to lump sums, transfer values, and death grants. However, 9 transactions tested from a sample of 30 (29%) found no evidence to confirm this and Altair's configuration does not compel the checking officer to perform a walkthrough of the transactions so that the relevant checks are fully completed. The current procedures need to be redesigned to identify and embed appropriate controls before being documented and implemented as standard across the team.</p>	<p>PAS is currently in a period of stabilisation with focus on business as usual and delivery of key projects such as backlog, GMP, ABS, data cleansing, Modified Fire Pension Scheme and Triennial Valuation. With the current team restructure, staff understand their responsibilities for checking and evidence can be found by either signatures on paperwork or tasks completed in Altair. It is planned for PAS to move into a period of enhancement of the service, through continuous improvement from September 2019. This will include improvements to process efficiency, preventing the build-up of backlogs, implementing I Connect, the digital platform for employers to submit their data and a system review and improvement plan.</p>	<p>High</p>	<p>ABS The ABS were delivered in full for Surrey Fund by the regulatory deadline of 31 Aug 2019. All active members received their statement, totalling 31,416. In addition to this there were 19,723 ABS sent for deferred members. The remaining deferred whereby a statement could not be produced due to unconfirmed addresses, will form part of the address tracing exercise which has now begun. ITM have been appointed to carry out this tracing work by the end of Dec 2019.</p> <p>Data Cleanse This work has now been complete and the deadline was met for the Surrey Pension Fund via Hymans actuary. The data provided has been accepted by Hymans as good quality data and this project has now been completed.</p> <p>GMP Detailed update in GMP action</p>
<p>Key Performance Indicators (KPIs) The 2018/19 Quarter 2 Performance Report to the SPFC</p>	<p>To clarify, the 2018/19 Q2 Performance Report intentionally had 25 KPIs with timescales as a measure. The balancing 12 are numeric</p>	<p>Medium</p>	<p>Update by Clare Chambers, provided 20 June 2019 Andrew Marson now validates the KPI report before sending to SPF. The new KPI report is being used with the exception of one reporting item. Performance is being discussed with effect</p>

<p>and SLPB indicated that there were 37 KPIs for which 12 (32%) had no timescales for meeting them.</p> <p>The remaining 25 KPIs were reported as 8 green, 2 amber and 15 red performance ratings. This indicates that 68% of the KPIs are not being met when they were reported to the SLPB and SPFC. No evidence was available to show that the KPIs are validated by management prior to reporting to the SLPB and SPFC. The performance figures for caseload were overstated due to data quality issues in Altair. These issues need to be addressed in order that KPI's are both meaningful and drive improvement.</p>	<p>indicators only showing an overview of movement e.g. new starters, opt outs, employer changes.</p> <ol style="list-style-type: none"> 1. KPIs will be produced by the Service Delivery Manager and reviewed by the Lead Pensions Manager with effect from May 2019 for April performance. 2. The KPI measures are currently being reviewed between PAS and the Pension Fund Team. 3. PAS KPI performance will be managed as part of monthly Administration meetings between PAS and the Pension Fund Team and reported to SPFC and SLPB on a quarterly basis. 		<p>from the June monthly Fund/Admin meeting.</p> <p>Update by Clare Chambers, provided 20th August 2019: KPI reporting – John Smith has recently altered the way we report KPI %'s which will be implemented with immediate effect. We are also looking at different options for reporting to make this process as streamlined as possible.</p> <p>Update by Clare Chambers, provided 23rd September 2019: A tableau report is being developed which will allow accurate KPI reporting more efficiently, allowing access by Funds if required as well. We are currently waiting for confirmation on when this can be delivered.</p> <p>Update by Andrew Marson, provided 2nd December 2019: Tableau report is now live</p>
<p>Complaints Handling A total of 80 complaints about the PAS were recorded on a locally maintained spreadsheet between Jan and Oct 2018 of which 42 were from SPF members. 22 outcomes were on time as per the SLA, 13 were outside the SLA timescale and the 7 remaining were overdue but</p>	<p>The log and tracking of complaints will be extended to include a summary note of resolution. Complaint correspondence is routinely scanned and uploaded to the member document record on Altair. The Complaints process and procedure will be reviewed to ensure clarity of escalation e.g. if a complaint moves to IDRP, the Pension Fund</p>	<p>Medium</p>	<p>Update by Clare Chambers on 23rd September 2019: The corporate complaints database has been developed for use by Pensions and go live was from October. Training will be delivered to all users ahead of the go live date.</p> <p>Update by Chloe Painter on 8th October 2019 The historic complaints data was inconsistent and was unable to provide confidence and assurance that these had all been completed and resolution reached. These were looked back over by a member of the team and any missing data that could</p>

<p>included a breach. These 80 complaints do not, however, include the numerous complaints live in PAS identified during the previous audit, and no evidence has been provided to us to show how this previous cohort of complaints were resolved. Currently, no information about PAS complaints is reported to Audit and Governance Committee, which is the case for all other corporate complaint data.</p>	<p>Team becomes responsible.</p> <ol style="list-style-type: none"> 1. The monthly Administration review between PAS and the Pension Fund Team will include the review of complaints as well. 2. Statistics on PAS complaints will be shared with Corporate Customer Relations and Service Improvement Manager on a monthly basis to be included in her Annual Complaints Performance Report to the Audit and Governance Committee. 		<p>be found was filled out on the complaints logs. These were then sent to Siva and we are awaiting response on the status on these.</p> <p>Update by Chloe Painter on 19th November 2019</p> <p>At the audit meeting held on 15th October the historic complaints were discussed and agreed that the best approach for this may be to draw a line under the historic complaints, as these have had substantial work done on to ensure none are outstanding, and continue with the new complaints procedure moving forward.</p> <p>Update by Chloe Painter on 20 January 2020</p> <p>In the December meeting it was agreed that this action is now closed, as historic complaints have been looked into and the new complaints procedure is now in place.</p>
<p>Data Cleansing</p> <p>We have seen a plan to clean the data in Altair. However, our fieldwork showed a number of consequences resulting from poor quality of data still evident in the system. These included:</p> <ul style="list-style-type: none"> - A backlog of 57,000 tasks identified in November 2018; - Altair not being configured to hold all 11 common mandatory data items stipulated by tPR; and - Annual benefit statements (ABS) not issued to 5% (1,614) of active members and 37% (11,874) of 	<p>Funding to remove the backlog has been secured and an external supplier, JLT has been appointed as at 17 April 2019.</p> <p>Altair has fields to hold all common and mandatory member data. Staff will be reminded to use them until Heywoods is able to provide better field validation.</p> <p>Not issuing active ABS was due to absence of, or poor quality of employer data. Not issuing deferred ABS was due to missing or out of date addresses of "gone aways".</p> <ol style="list-style-type: none"> 1. The business case for rolling out I 	<p>High</p>	<p>Update provided by Amy Wallace on 20 January 2020</p> <p>The business case, Data Protection Impact Assessment (DPIA) and Security Risk Assessment (SRA) have all now been signed off. Following this the agreement between Surrey Pension Fund and i-Connect was signed, as well as East Sussex Pension Fund and i-Connect. The next steps are:</p> <ul style="list-style-type: none"> • Engagement with employers needs to start as soon as possible. A meeting has already been held with the Surrey Payroll Team as they will likely be the first employer to go live. Discussions with ESCC payroll are due to take place the week of 20th Jan.

<p>deferred members by 31/8/18 requiring a breach report to be sent.</p>	<p>Connect, with comprehensive validation checks is being developed at present to be completed by 30 September 2019 and aim to start implementation from September. 2. Tracing deferred members is a costly exercise. We will initially start with members nearing retirement age as previously suggested by the SLPB. If this proves to be value for money, we can progress it further.</p>		<ul style="list-style-type: none"> • Implementation plan, including manageable timescales, has been agreed with i-Connect, so implementation will start imminently. • The IT connectivity between i-Connect and Altair needs to be established and tested. • User acceptance testing with the Pensions Team and i-Connect will be taking place within the next month. The Implementation Lead from i-Connect will be visiting at the time of the user acceptance testing to assist and meet with the main employer. Discussions with other Funds to gauge interest in signing up to i-Connect. <p>Update provided by Chloe Painter on 20 January 2020 ITM have completed the initial electronic trace on gone away member addresses, and the results will provide an increase in data quality which will allow for more efficient processing of pension and member communications.</p> <p>Results of the full trace and an options paper for next steps has been presented to the funds. This options paper outlines the approach to uploading the data on Altair and agreement for the full trace to be completed. A decision on these is due by 24 January.</p>
<p>Data Breaches It is understood that 39 breaches were reported to tPR in the 3 months to Dec 2018 compared to just 2 in the previous 12 months.</p>	<p>The Modified Fire Pension Scheme breach is out of scope for this audit but it is understood how this event creates an impression of performance and control in the wider context.</p>	<p>Medium</p>	<p>Update provided by Tom Lewis on 8th November 2019</p> <p>Since the board meeting in October, a number of activities and progress has been made.</p>

<p>They were reported by the new Pensions Lead Manager who joined SCC in October 2018, and included the failure of PAS to complete the Options Exercise for the Retained Firefighters under the Modified Fire Pension Scheme 2006 (this has been the subject of a separate audit). This shift suggests that data breaches reporting in previous periods may have been underreported.</p>	<p>The plans and actions already mentioned will bring benefit to this finding.</p> <p>As at 24 April 2019, an offer has been accepted for the vacant assurance and compliance role. One of the responsibilities will be to capture and implement changes in policy and legislation.</p> <p>The monthly Administration meetings between PAS and Pensions Team will also have compliance as a standing agenda item.</p>		<ul style="list-style-type: none"> • A joint plan has been drawn up between Project Team and Jane at Weightmans • The first letter to advise scheme members of the modified scheme and work to be carried out has been drafted and sent to Weightmans for review and approval • Jane Marshall at Weightmans have provided legal advice on the approach to be taken • First actuarial have supplied a proposal for communication/support. This is attached within the email for review. • Recent updates from FBU and GAD have suggested the scheme will be re-opened but this not yet confirmed.
<p>Reconciliation of Pension Contributions</p> <p>The current strategy requires employers to pay pension contributions by the 21st of each month following their deductions and that a late payment will incur a charge by SCC. Similarly, the end of year returns are due 30 days after the end of the financial year. Our testing found that some employers do not comply and the Pension Fund Team does not follow these up.</p> <p>A test of 5 employers over a period of 3 months found that 2 did not regularly pay their employee contributions on time and did not meet their required</p>	<p>Reconciliation of pension contributions is a responsibility of the Pension Fund Team and in 2019/20 this will be done on a quarterly basis and shared with PAS.</p> <p>Robust plans are in place for End of Year (EOY) returns for 31 March 2019. A series of communications have been issued in the run up to 31 March and reminder communications during April. A tally of returns and data quality is being kept and a clear escalation process is in place in order to meet the EOY submission deadline of 31 May 2019.</p> <p>The previously mentioned implementation of I Connect will address the reconciliation of member contributions as returns will be</p>	<p>Medium</p>	<p>Update by Ayaz Malik on 16th August 2019</p> <p>A meeting was held on 1st August between the Pension Fund and Admin team, where the officers reviewed the Service Specification. A further meeting has been scheduled for 13th September to agree and finalise the Service Specification and Administration strategy. Furthermore, officers in the Pension Fund are carrying out the reconciliation for Q1.</p> <p>Update by Ayaz Malik on 15th October 2019</p> <p>The fund officer carry out reconciliation on regular basis. Furthermore, the pension's administration strategy and service specification will be presented to the Local Board in October meeting.</p>

<p>minimum contribution rate. They are not material for reporting as a breach to tPR as they are under 90 days. We also found that member contributions are not regularly reconciled to individual members in Altair, except at year-end.</p>	<p>monthly rather than annual. The consequential benefit will reduce the effort needed at end of year and vastly improve delivery of benefit statements and accounts information.</p>		
<p>Guaranteed Minimum Pension (GMP) The 2-tier state pension scheme changed in April 2016 and the difference between them was the amount of NI contributions paid. The higher (A) rate payers were in the State Earnings Related Pension Scheme (SERPS) and the lower (D) rate payers were entitled to a basic pension. The LGPS was contracted out of SERPS, hence employers and employees paid at the lower D rate. The SERPS were required to pay a GMP and the State met the index-linked GMP and increases >3%. The mismatches between the data held by LGPS and HMRC required a GMP reconciliation to identify any under and over payments and resolve them. The council appointed two providers</p>	<p>The project to complete reconciliation of GMP with HMRC records is well progressed. HMRC responses to queries experience long turnaround times, protracting the project timeline. An external supplier, JLT has been processing the project work and monthly steering meetings are now in place to manage the supplier and progress of the project towards reconciliation. The current plan shows that SPF will be in a position to know the under/over payments and the funding impact in September 2019. This will allow SPF to consider options and make decisions on rectification work. 1. Reconciliation to be completed by 30 September 2019. 2. Rectification work depending on the size of liability – completed by the end of this financial year.</p>	<p>Medium</p>	<p>Update provided by Amy Wallace October 2019 JLT have matched over 99% of membership for all Funds. They will implement the decisions made on the stalemate cases once received by the Surrey Pension Fund. HMRC will be sending the final SRS cut of data from November onwards, so JLT will then complete the final reconciliation reports and send these out to Funds. JLT has also been working with HMRC to review all CEP payments to see if HMRC had allocated them correctly or whether they were still a liability held against the Fund. This has now been completed and emails were sent a couple of weeks ago to all Funds to confirm the current status. Update provided by Amy Wallace 19th November 2019 GMP status remains the same. Update provided by Amy Wallace 20 January 2020 HMRC have just announced that they have reviewed the solution for automatically allocating payments received from pension schemes for individual members of their scheme. They will shortly be publishing details on the process all schemes will need to follow. This additional action will impact on the original</p>

<p>to resolve this but this work has yet to be completed and the timetable to finish the work is unclear.</p>			<p>timeline HMRC published for the issue of the final data cuts. JLT are in communication with HMRC regarding the position with the CEP payments and the process they are rolling out. They will confirm the position once known.</p>
<p>Pension Payroll Implementation in Altair A project to implement pensions to be paid from Altair rather than through SAP ran in late 2017. Our review of project documents indicates that the limited time allocated for implementation was too ambitious for the project. It is also understood that there was a significant amount of pressure from the former Lead Pensions Manager for Altair Pension Payroll to 'go-live' before the user acceptance testing could be completed. This was despite concerns being raised by staff in IT&D and Corporate Finance who were members of the Project Team. These concerns were also around the interface between SAP and Altair not being fully functional, and the potential for additional work to be created as a result, including manual intervention to correct errors.</p>	<p>A review of the project and related paperwork and a review of current working practices will be carried out to identify if there are risks remaining and where treatment may be required.</p>	<p>High</p>	<p>Altair Payroll Migration Review</p> <p>Having engaged with the key members of the project team working on this migration I have been able summarise the delivery of the new Altair payroll.</p> <p>Project Management from Pension Service:</p> <p>A Project Manager was assigned to this work and planned out each stage of this delivery with the supplier, with an agreed PID signed by both Heywood and SCC. Based on discussions with the PM at the time the proposed project approaches to monitor and track the progress were not bought into by the Lead Pensions Manager and, the Lead Pensions Manager assumed control of the project, removing the need for the PM. Key documentation such as project plans, risk & logs, highlight reports for governance meetings etc were initially put in place however, these were not used throughout the duration of the project and remain unfinished due to the lack of buy in.</p> <p>Engagement and delivery:</p> <p>Having liaised with key members of this project from IT and Finance it became clear that the engagement with both these services was done very late in delivery and neither were involved in the discovery or scoping of this work.</p>

			<p>There was a huge amount of pressure put onto all those involved to go live by a set date (which has been confirmed by the Technical Lead in Pensions relating to the need for the Pension Increase work required at the time) and this meant that IT and finance, had to perform any work in a less controlled manner, through no fault of their own, due to the time constraints.</p> <p>There was robust testing for interfacing and configuration was a complicated process that took up most of the IT resource at that time. The Pension Service performed a large amount of mapping and testing from the admin perspective however, both IT and finance were forced into a position to go live knowing there were a number of risks and work arounds required, that would need mitigating post go live. The system go live was signed off accordingly by Kevin Kilburn, Matt Scott and Sheila Little with the known issues:</p> <ul style="list-style-type: none">• Interface for journals was not ready and required first month to be done manually• Reconciliation process was not fully ready and would require further work• The Altair payroll is able to provide an unbalanced payroll (negative payments can be submitted), something that could not be done originally on SAP• It was recognised that IT and Finance were not engaged early enough to migrate the payroll in a more complete state All of the above issues have now been mitigated as confirmed by IT and Finance since go live. The journals are now automated, reconciliation and the negative payroll has a number of manual validation checks (agreed between Pensions and Finance) once the payroll has run and, engagement between key stakeholders for all current and future work now has a more joined approach.
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<p>Removing councillors from LGPS The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 removed access to the LGPS for councillors in England with effect from 1 April 2014 (with the exception of those who were members of the LGPS on 31 March 2014). This latter group retained their access up to the end of their term of office only (or to age 75 if earlier) and were permitted to re-enter the scheme if they were re-elected. Following the County Council elections in Surrey in May 2017, none of the re-elected Councillors re-joined the scheme. Whilst Altair correctly showed them as inactive members of deferred status, the calculation of their</p>	<p>Outstanding calculations relate to incomplete data being provided. Reminders and follow ups have not been fully answered. Priority will be given to resolve the remaining queries, seeking escalation where appropriate, from 1 May. We wish to complete this work by 30 June 2019, but it will depend on full and final information being provided to resolve outstanding issues.</p>	<p>Low</p>	<p>Andrew Marson confirmed action as complete on 10.06.2019</p>

accrued benefits to date remains
to be completed.



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