

Internal Audit and Counter Fraud

Surrey Pension Fund Internal Audit

Progress Report for Quarter Two 2024-25

November 2024

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1. Summary of Audit Work

Local Government Pension Scheme Banking Controls Follow-Up

- 1.1 Our original audit report in this area reported in March 2022 with an opinion of Partial Assurance, and an interim follow-up review in May 2023 determined that certain actions could not be progressed at that time as they were reliant upon the implementation of MySurrey.
- 1.2 We had scheduled another follow-up into our quarter two programme, but ongoing issues within the MySurrey space had prevented significant progress in key areas. We have linked our work with that of the Surrey County Council Stabilisation Board programme and will continue to keep this area under review in line with the Board's programme of improvement activity.

SCC Payroll (Pensions Enrolment)

- 1.3 As an addendum to the Surrey County Council Payroll audit, we undertook a second piece of work to look at the control environment around enrolment of employees into the Local Government Pension Scheme (LGPS). To comply with the regulations set out by the Pensions Regulator, all employers are required, by law, to automatically enrol all eligible jobholders into a pension scheme, and enforcement action by the Pensions Regulator may follow for non-compliance.
- 1.4 Our review only considered the enrolment of Surrey County Council employees and not any of the other c.360 employers in the Surrey Pension Fund. The purpose of this audit was to provide assurance that controls were in place to meet the following objectives:
 - The Council complies with all requirements set out by the Pension Regulator for enrolment of staff to the Surrey Pension Fund;
 - Processes are in place to ensure all employee enrolments and contributions are efficiently and effectively processed and staff are enrolled correctly into the Pension Fund with contributions collected accurately;
 - Errors in enrolment are identified immediately and resolved effectively;
 - Retrospective payment contributions (where applicable) are efficiently and effectively collected without the employee experiencing financial hardship; and
 - Surrey Pension Fund are notified in a timely manner of new Council employees.
- 1.5 We were unable to provide assurance that these key controls were operating effectively. Key findings from our audit were that:

- To comply with regulations, employers must automatically enrol all eligible employees into a pension scheme at the commencement of employment. However, we found that as a result of technical issues with MySurrey there are significant delays in this process;
- We identified that there are data quality issues within data being transferred, which is further delaying the process;
- Existing enrolled employees within the scheme are having issues with their contributions not being collected - or being collected incorrectly - when changes had been made to employees' roles or pay rates;
- New members have not been notified of basic information such as their benefits, and how employee and employer contributions are calculated;
- On behalf of affected members, the Council made payments to the Fund to cover missed contributions for the period of May 2023 to March 2024. A recovery process for employees to repay these funds to the Council commenced in June 2024. However, the Payroll Team have recently challenged the quality of data analysis that was used in these calculations and are working to rectify this;
- Since the original work to identify employees experiencing issues there has been no further review to identify if other employees are experiencing issues with their pension contributions. Consequently, other issues may be going undetected, which may pose both financial risks to scheme members and reputational risk to the Council. It also increases the risk of non-compliant Fund administration.

- 1.6 As an addendum to the Surrey County Council Payroll audit this review did not have its own opinion, sharing that given to Payroll (Minimal Assurance). We have agreed 6 actions with management, 2 of which were high priority, 3 of medium priority, and 1 of low priority, to address weaknesses identified. As described previously, our findings and agreed actions have been shared with the MySurrey Stabilisation Board to ensure a comprehensive corporate response.
- 1.7 Given the timetable proposed for remedial action by the Stabilisation Board we plan undertake a follow-up audit in this area later in this financial year to ensure that the expected improvements in control have been implemented.

2. Action Tracking

- 2.1 We seek written confirmation from the Pensions team that all high priority actions due for implementation are complete. Where follow-up audits are undertaken, we reassess the progress of all agreed actions (low, medium, and high priority). Periodically we may also carry out random sample checks of all priority of actions.

2.2 With exception of those related to the Banking Controls follow up (discussed in paragraphs 1.1 and 1.2), all high-priority actions due to be implemented by management by the end of September have been implemented.

3. Pension Fund Audit Plan Update

3.1 In accordance with proper professional practice, the Internal Audit annual plan for Surrey Pension Fund is kept under regular review to ensure that we continue to focus our resources in the highest priority areas based on an assessment of risk.

3.2 Below is an overview including relevant updates of the Fund’s Internal Audit Plan for 2024/25:

Audit Name	Audit Status	Audit Opinion (If Applicable)
Pension Fund Business Continuity Arrangements	Fieldwork in progress	
Pension Fund Governance Arrangements	Will now be a support and advice piece of work	N/A
Administration Review (Deaths Admin)	Due to start in Q3	
Pension Fund Investments	TBC - likely Q4	
Admission Arrangements	TBC - likely Q4	
Follow up of the Banking Controls Review	Initial Review Completed as part of 22/23 audit plan - Interim Final Report issued in Q1 23/24. Further review work not possible at this stage due to the issues associated with MySurrey. Further review will now be carried out in March 2025.	
Overseas Pensioners Life Certification	Fieldwork in progress	

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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