

Rhondda Cynon Taf
County Borough Council

Internal Audit Final Report

PENSIONS

MANAGEMENT IN CONFIDENCE

Date of Audit:	January - March 2021
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1. INTRODUCTION

- 1.1 The responsibility for the RCT Pension Fund lies with the Director of Finance and Digital Services (Section 151 Officer). It is administered within the Pensions, Procurement & Transactional Services area and is delivered operationally by the Pensions Service Manager.
- 1.2 Rhondda Cynon Taf County Borough Council is the administering authority for the RCT Pension Fund. The Fund consists of over 50+ Employers ranging from the 3 unitary authorities of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend, as well as other bodies including colleges and employers that work closely with local government e.g. the Fire Service, Police and the University of South Wales.
- 1.3 The Service is responsible for the interpretation of all pensions' legislation, the creation and maintenance of records, calculation and payment of benefits and the provision of information to employers, scheme members and other relevant bodies, which include the Pensions Regulator and Scheme Advisory Board.
- 1.4 Between October 2018 and July 2019 the UK pensions Regulator engaged in a consultation with 10 local Government Pension Funds in England and Wales to establish the Scheme Managers' approach to a series of key areas and associated risks within those areas as follows:
 - Record Keeping
 - Internal Controls
 - Administrators
 - Pensions Boards
 - Internal Fraud/False Claims
 - Employers & Contributions
 - Cyber Security
 - IDRP (Internal Dispute Resolution Procedures)
 - Member Communications
- 1.5 Following completion of the engagement the Regulator compiled a report detailing the findings/outcomes identified during the process across the 10 participating Pension Funds, as well as a series of recommendations and actions to help address those findings (where required). The report also highlighted instances of best practice which could be adopted.
- 1.6 Whilst it is not a statutory requirement for local authorities to undertake this exercise it is a useful benchmark of processes and procedures. The RCT Pension Fund was not reviewed as part of the Regulator exercise, the Scheme Manager in consultation with the Chair of Pension Board has deemed it good practice to verify and ensure that the arrangements operated by RCT are compliant with the Pensions Regulator's Engagement Report.

2. SCOPE & OBJECTIVES

- 2.1 In accordance with the Internal Audit Plan for the financial year 2020/2021 as agreed by Audit Committee, a review of the key controls within the Pension Regulator's Engagement Report was undertaken.
- 2.2 During the fieldwork, and as a result of the Covid 19 pandemic, the audit scope was expanded to provide assurance to Management around key processes following the Service's transition to 'Home' working.
- 2.3 Audit testing was carried out to gather and review evidence available and provide assurance as to whether the RCT Pension Fund meets the key findings of the Regulator's Engagement Report. The objectives of the review were to ensure that:
- The RCT Pensions Service can demonstrate that it meets, and has processes and procedures in place that address the findings contained in the Report.
 - During 'lockdown' robust controls were put in place to support the key processes undertaken remotely for new pensioners into payment and pensioners changing their circumstances.

3. AUDIT APPROACH

- 3.1 Fieldwork took place specifically at meeting the agreed objectives. The Chair of Pension Board assisted with the provision of evidence in relation to the Board operations.
- 3.2 Any significant issues identified were discussed with management before being reported.
- 3.3 A draft report was prepared and provided to management for review and comment, with an opportunity given for discussion or clarification, if required.
- 3.4 This final report incorporates management comment together with the timetable for the implementation of agreed recommendations. It has been issued electronically to the following Officers;
- Chief Executive
 - Director of Finance & Digital Services
 - Service Director Pensions, Procurement & Transactional Services
 - Pensions Service Manager
 - Service Director Finance & Improvement Services.
 - Chair RCT Pension Board
- 3.5 Audit Committee will also receive a summary of the final report in the form of the Introduction and Opinion along with a synopsis of all recommendations made.
- 3.6 Management will be contacted and asked to provide feedback on the status of each agreed recommendation, once the target date for implementation has expired.

4. AUDIT OPINION

4.1 *The overall control environment in respect of the Pensions Service is considered to be effective with opportunity for improvement.*

4.2 **Objective 1 – Compliance with the Pension Regulator’s Engagement Report**

Record Keeping

The Service was able to demonstrate that member data is reviewed and kept up to date and there is a Data Improvement Plan to continually improve the way data is captured and retained. The data scores provided to the Pensions Regulator evidences a high level of compliance.

Internal Controls

The Service has a Risk Register which is presented to both the Pension Board and Pensions Committee, and this is regularly reviewed by the Pensions Working Group and Pensions Advisory Panel. It is a published document and is readily available to all members via the *RCT Pension Fund Website*.

A suite of key Governance documents are published and reviewed annually, including a Governance Compliance statement. Fund strategic decisions are made by the RCT Pensions Committee in accordance with their Terms of Reference, with operational decisions delegated to the Council’s Section 151 Officer. Minutes of the Pensions Committee / Pension Board are publicly available online and in accordance with the requirements of the Pension Regulator.

Administrators

The RCT Pensions Team is an internal team with all staff directly employed by the Scheme Administrator (RCTCBC). The Service has key service standards in place, included in the *Pensions Administrative Strategy* (PAS) document, an agreement which sets out the roles, requirements and responsibilities of both the Fund Administrator and the participating Employers.

Pensions Board

The RCT Pension Fund Board comprises of four members (the minimum statutory requirement), two Employer representatives (one is Chair) and two Member / Pensioner representatives. Attendance at Board monitored and no meetings have failed to be quorate since the Board established. Appointment of Pensions Board representatives is undertaken by the Director of Human Resources and the Director of Legal Services, who are independent for the day to day operations of the Fund.

The Pension Board has its own ‘Skills & Knowledge Framework’ which is reviewed quarterly. All Board members have completed both the LGA Trustee Training and the Pensions Regulator Trustee training modules, with other development events attended throughout the year.

The RCT Pension Board meets on a quarterly basis, and attend the Fund’s Annual General Meeting each November. The Chair of the Pension Board and the Chair of Pensions Committee have both previously attended each other’s respective

meetings and participate in a joint Board/Committee meeting annually to review Fund Policy documents.

There is regular dialogue maintained between the Chair and the Service Director outside of the formal meetings, with the Board meeting agenda set jointly based on standard items plus developing issues. Annual Surveys issued by the Pension Regulator, etc. are also undertaken jointly.

The Chair of Pension Board also represents the Fund at the Wales Pension Partnership 'Pooling' (WPP) engagement days twice yearly, with minutes feedback to Board to enhance transparency. WPP agendas and minutes are published and available to the Board as is the web cast.

Internal Fraud / False Claims

Procedures and internal controls have been developed for all staff and are reviewed whenever necessary following changes to processes / tasks undertaken. Data sources are also utilised in the detection and prevention of fraud, they include, NFI, Monthly Mortality Screening Service, Tell us One Service and the NI database.

Employer Contributions

The Service reviews all monthly Employer contribution payments and reconciles these payments to the Council's Financials system. A Fund 'Breaches Policy' is in place to manage and deal with any failure by any Employers to pay the appropriate contributions on time.

Employer solvency checking is undertaken as part of the Valuation cycle of the Fund every 3 years, and was last undertaken 2019. There is currently no evident solvency risk of any of the participating Employers of the RCT Pension Fund. The RCT Pensions Fund has a *Fund Strategy Statement* which details the principles in dealing with exiting employers.

Cyber Security

The Fund is reliant on RCTCBC's network / system security arrangements, the Pensions system (Altair) is remotely hosted by Heywoods.

RCTCBC's ICT Service in liaison with the Pensions Service have developed an *ICT Risk Assessment* specifically tailored for the Pensions Service and there is a section included in the Risk Register relating specifically to cyber security, which links to the Risk Assessment document.

The RCT Pensions Board and Pensions Committee have received a security briefing in relation to cyber security risks, from Council ICT Officers.

Internal Dispute Resolution Procedures (IDRP)

The Service has a formal internal dispute procedure document available via the RCT Pension Fund website. The Complaints process is also included within the *RCT Pensions Governance Policy Statement*.

The Pensions Team analyse and monitor the results of all formal complaints received and these are also reported to the Pensions Board. On occasions, the service are required to respond via the Council's *Corporate Complaints Policy*.

Member Communications

The Service has established several lines of communication with its members, the primary source is the *RCT Pension Fund Website*. The site also includes links to the main LGPS Member Website which provides various useful online tools to help members i.e. pensions calculators and guidance videos.

Further forms of communication available include the Pensions Helpdesk, Member Self-Serve (MSS), Annual Benefit Statements, Annual Newsletter and the Annual Pension Report. A Communications Forum with representative Employers and Trade Unions, also meet with the Service on a quarterly basis.

The Service does not issue a survey or questionnaire to scheme members for feedback, however it was established that work is currently being undertaken to devise appropriate feedback surveys / questionnaires. It was also identified that website traffic (i.e. visits to the RCT Pensions Website) can be monitored by the Pensions System Administrator, however this is currently not undertaken.

4.3 Objective 2 – Appropriate Remote Working Processes are in Place

For the sample of 10 new pensioners sampled it was established that:-

- 'New Pension Packs' were promptly issued to employees who had retired.
- All the 'Packs' were returned fully complete and processed appropriately.
- The monthly and lump sum pension to be paid had been calculated promptly and verified by appropriate officers.
- The pension calculation was promptly passed to the payroll section and paid.
- The first monthly pension and lump sum paid corresponded to the letter sent to each new pensioner. In each case the monthly payment was paid from the day after they terminated their employment.
- The monthly and lump sum pension was paid to the bank account instructed by the new pensioner.

For the sample of 10 pensioners who had requested changes in their personal details, for example, change of address or bank account it was established that:-

- All changes had been promptly actioned.
- Appropriate evidence had been received for each change made.
- The changes were correctly made.
- Letters were sent to each pensioner informing them of the changes made.

- 4.4 By implementing the associated recommendations contained within this report, Management will further enhance the standard of controls already in place.

ACKNOWLEDGEMENTS

A number of staff and the Chair of Pension Board gave their time and cooperation during the course of this review. Internal Audit would like to record its thanks to all individuals concerned.

5. DETAILED FINDINGS

The findings of the review are reported on an exception basis to focus on issues where action is recommended. Each of the issues / recommendations detailed has been given a priority rating to assist management in directing and prioritising resources in accordance with areas of risk, these ratings being high, medium or low.

INTERNAL AUDIT FINAL REPORT: PENSIONS

5.1 Member Communications

AUDIT OBJECTIVE: The Pension Service has appropriate lines of communication with its members.

REF & PRIORITY	FINDING	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY & TARGET DATE
<p>5.1.1 Low</p>	<p><i>It is often helpful for the Scheme Manager to measure the effectiveness of their communication with savers e.g. measuring website traffic and running surveys.</i></p> <p>Currently, the RCT Pension Service does not issue any form of survey or questionnaire to members to gather feedback and views on various aspects of the service provision / website usefulness which could be used to help identify service improvements.</p> <p>During the review it was reported that the Service is currently in the process of developing a series of surveys.</p>	<p>The Pension Service are not obtaining feedback from members / pensioners to help identify service improvements.</p>	<p>The Scheme Manager should continue to develop a series of surveys and / or questionnaire's which could be used to help identify service improvements.</p>	<p>Agreed. The Fund have previously issued membership surveys, however with extremely low response levels. A targeted approach will be developed based on activities.</p>	<p>Pension Service Manager September 2021</p>
<p>5.1.2 Low</p>	<p>The Pensions System Administrator stated that the Google Analytics online toolkit can be used to establish website traffic for both the RCT Pension Service website and the My Pension website, however, this facility is not formally used and the figures are not being reported to the Pension Board.</p>	<p>The Pension Service are not utilising a toolkit to monitor members visiting the websites.</p>	<p>The Scheme Manager should formally use / capture and monitor, traffic to the Pensions websites.</p> <p>This data would help identify / target users for survey / questionnaire distribution.</p>	<p>Agreed.</p>	<p>Pension Service Manager May 2021</p>