REPORT TO: Audit and Governance Committee

MEETING DATE: 19 May 2015

BY: Depute Chief Executive – Resources and People Services

SUBJECT: Internal Audit Report – Pensions

1 PURPOSE

1.1 To inform the Audit and Governance Committee of the recently issued audit report on Pensions.

2 RECOMMENDATION

2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

3.1 A review of Pensions was undertaken as part of the audit plan for 2014/15.

3.2 The main objective of the audit was to ensure that the internal controls in place for Pensions were operating effectively.

3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

4.1 None

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6   RESOURCE IMPLICATIONS

6.1   Financial - None

6.2   Personnel - None

6.3   Other - None

7   BACKGROUND PAPERS

7.1   None

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DATE	7 May 2015

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PENSIONS**

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Pensions was undertaken as part of the Audit Plan for 2014/15. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate procedures are in place to ensure that payments to Pension Fund Administrators are properly authorised and submitted by the due date.
- Pension contribution rates for 2014/15 had been correctly updated on the CHRIS system for both teachers and Local Government employees.
- The Full Time Equivalent rate of pay for Local Government employees had been correctly assessed for financial year 2014/15.
- Adequate arrangements are in place to ensure that pension contributions are correctly posted in the Council's general ledger.
- The employer contribution rate had been properly applied for both teachers and Local Government employees.

1.3 Areas with Scope for Improvement

- In two cases, system errors were identified for employees changing posts from a casual to a permanent position resulting in incorrect deduction of pension contributions. For these cases staff had failed to override the CHRIS system correctly. *Risk – errors or irregularities may occur and remain undetected.*
- There was a lack of checking procedures in place to ensure that information submitted to the Lothian Pension Fund for leavers was accurate and complete. *Risk – errors or irregularities may occur and remain undetected.*
- In some instances, information on starters, change of hours, leavers and retirals had not been submitted to the Lothian Pension Fund within the specified time limit. *Risk – information may not be updated timeously.*
- In some cases, there had been a failure to authorise change of contract forms prior to the effective date of change. *Risk – over or under payments may occur.*
- There was a lack of detailed guidance in place to assist staff responsible for administering pensions. *Risk – failure to adopt a consistent approach.*

1.4 Summary

Our review of Pensions identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager   **May 2015**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that detailed procedures are developed which incorporate the recent pension scheme changes – the procedures should be circulated to all relevant Payroll staff.	Medium	Payroll Manager	Agreed – new guidance to be put in place in line with scheme changes from April 2015.		August 2015
3.3.1	A person independent of processing should check that the annual pension contribution rates have been correctly updated on the CHRIS system – evidence of the checks should be retained on file.	Medium	Payroll Manager	Agreed		May 2015
3.4.4	Management should ensure that information on starters, change of hours, leavers and retirals is submitted by Service Managers timeously to enable the Payroll Section to submit pension returns within the specified time limits.	Medium	Service Manager – HR and Payroll	Agreed		May 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	Management should fully investigate the system error identified which led to employee contributions not being deducted at the assessed rate for 2014/15.	Medium	Payroll Manager	Agreed		May 2015
3.6.3	For employees paying additional pension contributions appropriate documentary evidence should be obtained from the relevant pension providers.	Medium	Payroll Manager	Agreed		May 2015
3.7.1	Change of Contract Forms should be authorised by the Service Manager or an appropriate officer prior to the effective date of change.	Medium	Service Manager – HR and Payroll	Agreed		May 2015
	The system anomalies identified for employees changing from a casual to a permanent position should be referred to the system provider.		Payroll Manager	Agreed		June 2015
	Management should ensure that appropriate accuracy and completeness checks are carried out for all employees changing posts from a casual to a permanent position.		Payroll Manager	Agreed		May 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1 (cont)	Management should ensure that a clear audit trail exists on the CHRIS system – the audit log should be set up to track all manual overrides.	Medium	Payroll Manager	Agreed		May 2015
3.8.1	Appropriate checks should be carried out to ensure that the information submitted to the Lothian Pension Fund for leavers is accurate and complete.	Medium	Payroll Manager	Agreed		May 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.