



# **INTERNAL AUDIT FINAL REPORT**

**CFA015 Pensions**

**OVERALL OPINION** Satisfactory Assurance

Internal Audit is an independent appraisal function that reviews the Council's activities, both financial and non-financial. Internal Audit provides a service to the whole Council in order to provide assurance on the arrangements for risk management, internal control and corporate governance, and to provide advice to support achievement of best practice.

All audit work has been conducted in conformance with the Public Sector Internal Audit Standards (PSIAS), as reflected in the Internal Audit Manual.

The auditors involved in the work have no undeclared links to the subject matter of this audit or relationships with the clients that could compromise the impartiality or objectivity of the work undertaken.

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## Audit Summary and Opinion

The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.

Overall the audit testing identified that controls are in place and operating as expected to help mitigate the risks.

Summary of risks, controls, and assessment:

Risk - CFA015 Pensions - Legislation - 2022/23	
Officers do not have access to up to date pension legislation leading to inaccurate procedures being adopted resulting in non-compliance with legislation.	
Control - CFA015 Pensions - Legislation - 2022/23	Assessment
<p>The schemes are administered by XPS Pensions Group.</p> <p>XPS Pensions Group provide bulletins/information for any updates and/or changes that are to be implemented which would be cascaded to relevant staff.</p> <p>Detailed guides and relevant forms are available to Members on the XPS website: <a href="http://www.myownpension.co.uk">www.myownpension.co.uk</a>. Employer bulletins are published on the XPS website.</p> <p>XPS are on the Home Office mailing list and receive details relating to any Statutory Instruments coming into force.</p>	<p>Effective arrangements are in place to ensure the service is aware of and reacts to changes in legislation and to communicate such changes to members of the Pension Scheme.</p> <p>Detailed guides are available to all Members on the XPS website.</p>

<b>Risk - CFA015 Pensions - Procedures - 2022/23</b>	
Pension procedures are not adequately documented, and officers advised of their responsibilities leading to controls not being followed resulting in erroneous or fraudulent payments.	
<b>Control - CFA015 Pensions - Procedures - 2022/23</b>	<b>Assessment</b>
HR officers use a detailed checklist that has been developed internally when completing retirement calculations.	HR staff have access to a very detailed checklist to aid the calculation of retirements.

<b>Risk - CFA015 Pensions - Membership - 2022/23</b>	
New Starters, transfers in and out of the schemes are not input correctly leading to inaccurate details input in the payroll system relating to members of the scheme(s) resulting in non-compliance with schemes.	
<b>Control - CFA015 Pensions - Membership - 2022/23</b>	<b>Assessment</b>
<p>Guidance is available via XPS Pension Group website.</p> <p>Employee &amp; employer contributions are determined by the Secretary of State on the advice of the Government Actuary (GAD).</p> <p>Pension rate parameters are input into Resourcelink by HBC the System Support &amp; Service Development Officer and checked by the Payroll Manager. (spreadsheet - initialed by both officers) after receiving email confirmation and a copy of the updated circular from Payroll).</p> <p>The relevant contribution rate will be determined on commencement of membership and then at the start of each</p>	<p>Effective arrangements are in place to ensure contribution rates are accurately recorded in the Payroll system.</p> <p>There were no employees who opted out of the pension schemes in the period reviewed, however there are robust arrangements for employees who wish to opt out.</p> <p>There was no transfers out of the fire pension scheme with the period reviewed.</p> <p>A sample of transfers into the fire pension scheme found accurate income was received and notification sent to XPS.</p>

<p>subsequent financial year. This is an automatic process when the new starter is input into RL or an existing employee opts in.</p> <p>New starters are automatically enrolled in a pension scheme unless they complete an 'Opt Out' form.</p> <p>Refunds are processed if the employee opts out within three months continuous scheme employment or within three months or automatic re-enrolment. Refunds are processed via XPS. Confirmation is sent from XPS of the value to be refunded.</p> <p>Any employee not in a pension scheme has to authorise a 'Opt Out' form which are retained on personnel files.</p> <p>Transfers in to CFA Pension Scheme – Confirmation is received via letter from XPS with the value. Once the payment is received from previous employee the Payment Receipt Notification Form is completed by HR and sent to XPS.</p> <p>Transfers out, follow the same process as above. CFA are informed of the value and date from XPS.</p>	<p>As of 1/4/22 all active members have been transferred into the 2015 scheme.</p>
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<b>Risk - CFA Pensions - Life Cycle Events - 2022/23</b>	
Life Cycle Events are incorrectly processed leading to inaccurate pension calculations resulting in erroneous payments made and non-compliance with pension schemes .	
<b>Control - CFA015 Pensions - Life Cycle Events - 2022/23</b>	<b>Assessment</b>

<p>Calculation sheets are completed by a HR Officer which detail the employee's employment history and corresponding pension scheme contributions.</p> <p>The calculation sheets are checked for accuracy by the HR Manager.</p> <p>Once authorised the signed option forms are sent to XPS who make make payment via BACS.</p>	<p>Testing on a sample of retirement payments found that all calculations appear correct, tax deductions were correctly calculated and each calculation was checked by a second officer for accuracy. As the auditor does not possess the technical knowledge to verify the accuracy of calculations relating to LSI and CPD amounts used to determine the resultant pension entitlement the figures used on the XPS final calculation documentation were used.</p> <p>Accurate payments are issued directly from XPS with evidence retained on Integra.</p>
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<b>Risk - CFA015 Pensions - Contributions - 2022/23</b>	
Inaccurate data input into Resourcelink leading to contributions calculated incorrectly resulting in erroneous pension contributions deducted from employees salary.	
<b>Control - CFA015 Pensions - Contributions - 2022/23</b>	<b>Assessment</b>
<p>Contribution rates are set by the Fire Fighters Pension Scheme Advisory Board.</p> <p>CFA receives regular bulletins from the Board advising of any changes.</p> <p>HBC update the pension parameters within Resourcelink after receiving email confirmation along with a copy of the bulletin. Pension rate parameters are input into Resourcelink by the System Support &amp; Service Development Officer and</p>	<p>The auditor sampled members from all schemes and testing found that in all instances, contribution rates were correct. A sample of members paying AVCs were also selected for testing, documentation was provided to support all additional voluntary contributions reviewed.</p>

<p>checked by the Payroll Manager. (spreadsheet - initialed by both officers) after receiving email confirmation and a copy of the updated circular from Payroll .</p> <p>Employees are automatically allocated a pension rate based on their pensionable pay.</p> <p>A form is completed and authorised by employee's wishing to make additional contributions. It is input and authorised by the Payroll Manager and retained on the employees personnel file</p> <p>Monthly reconciliations are completed between Resourcelink and Integra.</p>	
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<b>Risk - CFA015 Pensions - Local Pension Board - 2022/23</b>	
The Fire Authority does not have an established Local Pension Board (LPB) along with Terms of Reference leading to ineffective governance arrangements resulting in non-compliance with regulations.	
<b>Control - CFA015 Pensions - Local Pension Board - 2022/23</b>	<b>Assessment</b>
<p>Cleveland Fire Authority have established a Local Pension Board (LPB).</p> <p>Membership is consistent with the Section 5 of the Public Services Pensions Act 2013</p> <p>Terms of Reference have been established.</p>	<p>There is a Local Pension Board in place who meet quarterly. Terms of Reference are reviewed annually.</p> <p>A review of meeting minutes confirmed that Board membership appears to be in accordance with Terms of Reference as well as an officer with detailed knowledge of the law relating to pensions. Minutes confirmed that all meetings are quorate and</p>

<p>The Board meets quarterly.</p> <p>At least one employer representative and one scheme member (employee) representative is present at each meeting, which should include the Chair or Vice Chair</p> <p>Training records are held for all members of the Board.</p>	<p>that training is provided to Board Members on an ongoing basis. At the time of the audit training records were being collated for individual board members.</p>
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**ACTION PLAN** - All risks identified are managed at an acceptable level.