

CLASSIFICATION: INTERNAL USE



INTERNAL AUDIT FINAL REPORT

CFA Pensions 2024/25

OVERALL OPINION Satisfactory Assurance

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Internal Audit is an independent appraisal function that reviews both financial and non-financial activities. Internal Audit provides assurance on the arrangements for risk management, internal control and corporate governance, and provides 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.

A summary assessment of each control area is noted in the table below along with references to any findings in the action plan.

Summary of risks, controls, and assessment:

Risk - CFA Pensions 24/25 Legislation		Risk Category
Officers do not have access to up to date pension legislation leading to inaccurate procedures being adopted resulting in non-compliance with legislation.		Governance
Control	Control Assessment – Adequacy (planning)	
<p>The Firefighter Pension Schemes are administered by XPS Pensions Group under contractual arrangement.</p> <p>The Service is made aware of changes in legislation via Fire and Rescue bulletins received from the Home Office.</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: www.myownpension.co.uk.</p> <p>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>	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork)	
	<p>Effective arrangements are in place to ensure the service is aware of and reacts to changes in legislation and communicating changes to members with detailed guides available to all members via the XPS website.</p> <p>Arrangements for complying with McCloud Remedy requirements is the responsibility of XPS. The XPS website has a section on McCloud which provides information for members and details of the implications, who is affected, options available and an update on progress by the Technical team in processing of updating records.</p>	

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Effective arrangements are in place to identify all individuals eligible for the Matthews Remedy second options exercise.

The 'second options' exercise operates in line with the timescale defined in the Firefighters' Pension Schemes (England) (Amendment) Order 2023.

Arrangements for re-calculating benefits and contributions of special firefighters who express an interest are accurate and complete.

XPS has amended Fire Pension Schemes to reflect McCloud Remedy and complies with the indicative timetable for issuing Remedial Service Statements giving members the option to choose which scheme benefits they wish to be paid for the Remedy Period.

Arrangements have been established to identify all 'in scope' members who will be provided with a statement showing their choice of benefits (Remedial Service Statement) within 18 months of 1 October 2023.

All immediate retirements are given a choice of which pension scheme benefits they want to be paid for the Remedy Period and are provided with a Remedial Service Statement showing both sets of benefits.

Any recalculation of benefits will involve an adjustment of any tax, annual allowance and lifetime allowance and contributions to be repaid.

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Risk - CFA Pensions 24/25 Procedures		Risk Category
Pension procedures are not adequately documented, and officers advised of their responsibilities leading to controls not being followed resulting in erroneous or fraudulent payments.		Governance
Control	Control Assessment – Adequacy (planning)	
<p>Detailed guides and relevant forms are available on the XPS website.</p> <p>HR officers use a detailed checklist that has been developed internally when completing retirement calculations.</p> <p>Checklists consider implications of Matthews and McCloud remedy procedures.</p> <p>Calculations are checked by an independent officer.</p>	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork)	
	<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>	
Risk - CFA Pensions 24/25 Membership		Risk Category
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.		Financial
Control	Control Assessment – Adequacy (planning)	
<p>New starters are automatically enrolled in the 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.</p> <p>Confirmation is sent from XPS of the value to be refunded.</p>	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork)	
	<p>Effective arrangements are in place to ensure contribution rates are accurately recorded in the Payroll system.</p> <p>There was no transfers into or out of the fire pension scheme for the period reviewed.</p>	

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<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 of transfers into the fund. Once the payment is received from previous employer the Payment Receipt Notification Form is completed by CFA Finance 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>	
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Risk - CFA Pensions 24/25 Life Cycle Events		Risk Category
Life Cycle Events are incorrectly processed leading to inaccurate pension calculations resulting in erroneous payments made and non-compliance with pension schemes		Financial
Control	Control Assessment – Adequacy (planning)	
<p>Leavers forms are completed by a HR Officer which detail the employee's service and pensionable pay history The leavers forms are checked for accuracy by the HR Manager before being provided to XPS for calculation of benefits.</p> <p>XPS forward option forms to CFA HR once calculated and these are provided to the member for signature.</p> <p>Once authorised the signed option forms are sent to XPS who process payment via BACS.</p>	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork) Pensionable Pay forms calculating a member's average pensionable earnings are completed and checked by CFA prior to submission to XPS who are responsible for calculating pension entitlements. As the auditor does not possess the technical knowledge to verify the accuracy of calculations used to determine the resultant pension entitlement, figures used on the XPS final calculation documentation, where provided for the test sample, were used. The following were noted when reviewing the documents provided:	

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	Sample 1	Gross pension commutation is usually 25% which calculates as £4372.75. Amount on Calculation Form provided is £3852.64 which equates to 22% of the Gross Pension figure.
	Sample 2	CPD payment on the Calculation form provided is recorded as £350.82. However, the supporting system report has the CPD payment as £411.78. A small difference of £4.12 when reperforming the gross pension calculation was also noted.
	Sample 3	Unable to confirm the CPD figure used in the calculation doc as accurate as it was not possible to identify this on the CPD report provided.
	Samples 4 & 7	Unable to complete testing/reconciliation work due to a lack of reports/information provided for this member.
	Sample 5	Unable to confirm the CPD figure used in the calculation document as accurate as it was not possible to identify this on the CPD report provided. It was also noted that the net lump sum value on the Pension Calculation document differed from the FMS payment. Calculation document £140520.39 FMS payment £144904.47 – a difference of £4384.08.
	Sample 6	Pension commutation calculation difference of £36.71 noted. Commutation calculated as £1260.26 by auditor (25% of £5041.03). Commutation on the Calculation Form £1223.55 (24.3%)

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	Payments are issued directly from XPS with evidence retained on Integra.
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Risk - CFA Pensions 24/25 Contributions		Risk Category
Inaccurate data input into Resourcelink leading to contributions calculated incorrectly resulting in erroneous pension contributions deducted from employees salary.		Financial
Control	Control Assessment – Adequacy (planning)	
<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.</p> <p>Pension rate parameters are input into Resourcelink by the System Support & Service Development Officer and checked by the Payroll Manager. (spreadsheet - initialled 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>	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork)	
	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 and whilst individually signed agreements could not be provided to support the deduction, alternative reporting evidence to support the monthly deduction amount was provided.	

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Monthly reconciliations are completed between Resourcelink and Integra.	
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Risk - CFA Pensions 24/25 Information Security		Risk Category
If personal data is not secure from unauthorised access or loss, there may be unauthorised amendment of data or disclosure resulting in potential financial penalties from the ICO.		Information Governance
Control	Control Assessment – Adequacy (planning)	
<p>Access to personal data is restricted to current employees, with access levels determined by the employees role in the Authority.</p> <p>Transfer of personal data is by Secure Transfer Portal.</p> <p>Non electronic data is held in secure lockable cabinet or similar with access restricted to authorised staff.</p>	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork)	
	An Assurance Report on Internal Controls - April 2024 was provided as part of the 23/24 audit work done to demonstrate that information is secure and provided assurance that personal information on XPS Altair system is held in a secure manner. As this report is still current, the previous assurance remains valid as at the time of the 24/25 audit review.	

Risk - CFA Pensions 24/25 Local Pension Board		Risk Category
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.		Governance
Control	Control Assessment – Adequacy (planning)	
<p>Cleveland Fire Authority have established a Local Pension Board (LPB).</p> <p>Membership of the LPB is consistent with the Section 5 of the Public Services Pensions Act 2013.</p> <p>Terms of Reference have been established for the LPB.</p>	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork)	
	A Local Pension Board (LPB) is established with Terms of Reference formatted in accordance with Code of Practice No.14 Governance & administration of Public Service Pension Schemes.	

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<p>The LPB meets sufficiently regularly to discharge its duties, but not less than four times a year.</p> <p>Each meeting of the LPB is quorate.</p> <p>Effective arrangements are in place to ensure that Members of the LPB have sufficient knowledge of the law relating to pensions.</p>	<p>Meetings are held on a regular basis and a review of LPB minutes confirmed that meetings are quorate and the order of business is in accordance with the Terms of Reference.</p> <p>Training is provided to Board Members on an ongoing basis.</p>
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Risk - CFA Standard Work Program Risk - Data Protection / GDPR		Risk Category
Staff do not comply with Information Governance Policies and Procedures leading to non-compliance with the Data Protection Act resulting in a fine from the ICO.		Information Governance
Control	Control Assessment – Adequacy (planning)	
Compliance with CFA policies and procedures.	No control weaknesses identified at planning. Controls will be tested at fieldwork stage of the audit.	
	Control Assessment – Effectiveness (fieldwork)	
	Information Governance arrangements in place appear to comply with Data Protection requirements.	

ACTION PLAN

Testing undertaken did not identify risks of a level that require inclusion in an Action Plan.