



INTERNAL AUDIT FINAL REPORT

CFA Pensions 2324

OVERALL OPINION Satisfactory Assurance

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 2324 Legislation	
Officers do not have access to up to date pension legislation leading to inaccurate procedures being adopted resulting in non-compliance with legislation.	
Control - CFA Pensions 2324 Legislation	Assessment
<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>	<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> <p>CFA HR are currently in the process of obtaining pension data to undertake a 'second options' exercise that will enable Retained Firefighters with service between 7 April 2000 and 30 June 2000 to backdate their membership for this period and back to their date of joining, in line with the Firefighters' Pension Schemes (England) (Amendment) Order 2023 (Matthews Remedy).</p>

<p>Effective arrangements are in place to identify all individuals eligible for the Matthews Remedy second options exercise.</p> <p>The 'second options' exercise operates in line with the timescale defined in the Firefighters' Pension Schemes (England) (Amendment) Order 2023.</p> <p>Arrangements for re-calculating benefits and contributions of special firefighters who express an interest are accurate and complete.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>The exercise is required to be completed within the maximum period of 18 months (October 2023 to March 2025).</p> <p>At the time of the audit fieldwork, 88 in-scope members had been identified and option forms issued within the prescribed timescale of 31/12/2023.</p> <p>To date 58 response have been received</p> <p>HBC Payroll Service is in the process of obtaining COGNOS reports from the previous payroll system to verify pensionable pay to enable calculations to be made by the March 2025 deadline.</p> <p>Arrangements for complying with the McCloud Remedy within XPS include establishing a timetable for issuing Remedial Service Statements (RSS) to those most impacted and at detriment with priority given to dependents and ill health retirees first, followed by retirees who were in the CARE scheme for longest.</p> <p>This timetable has been updated following LGA communications</p> <p>All in scope Members are expected to receive a RSS prior to 31/3/25 in line with the Public Service Pensions and Judicial Offices Act 2022, although there is an expectation in the indicative timetable that RSS be issued to Ill Health Pensioner and Beneficiaries by June 2024.</p>
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Any recalculation of benefits will involve an adjustment of any tax, annual allowance and lifetime allowance and contributions to be repaid.	Currently, all immediate pensions receive an options form which include remedy options, however, to date no RSS have been issued.
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Risk - CFA Pensions 2324 Procedures	
Pension procedures are not adequately documented, and officers advised of their responsibilities leading to controls not being followed resulting in erroneous or fraudulent payments.	
Control - CFA Pensions 2324 Procedures	Assessment
Detailed guides and relevant forms are available on the XPS website.	Detailed guides and relevant forms are available on the XPS website.
HR officers use a detailed checklist that has been developed internally when completing retirement calculations.	Standard documentation (Leavers Forms, Pensionable Pay Forms is used to process leavers and calculate pensionable pay and service to be used in calculations.
Checklists consider implications of Matthews and McCloud remedy procedures.	Forms are completed by the Payroll Officer and checked by the HR Officer.
Calculations are checked by an independent officer.	Option forms consider the implications of McCloud remedy calculations.

Risk - CFA Pensions 2324 Membership	
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.	
Control - CFA Pensions 2324 Membership	Assessment
New starters are automatically enrolled in the pension scheme unless they complete an 'Opt Out' form.	No new starters have opted out of the pension scheme in the current financial year.
	Supporting documentation verifies the accuracy of value of transfers into the fund.

<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> <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 employee 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>	<p>There have been no transfers out of the fund in the financial year 2023/24.</p>
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Risk - CFA Pensions 2324 Life Cycle Events	
Life Cycle Events are incorrectly processed leading to inaccurate pension calculations resulting in erroneous payments made and non-compliance with pension schemes	
Control - CFA Pensions 2324 Life Cycle Events	Assessment
<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>Leavers' documentation are completed including pensionable pay forms which detail values to be included in calculations. Calculations are checked by an independent officer.</p> <p>Option Forms are provided to the pensioner and signed.</p> <p>A sample of 3 pension payments made was selected for testing.</p>

<p>Once authorised the signed option forms are sent to XPS who process payment via BACS.</p>	<p>Calculations are correct and based on options selected using accurate pensionable pay / service for the sample selected.</p> <p>Payments made agree with calculations.</p> <p>Review of reconciliation of lump sum / monthly pension payments verified that transactions are accurately posted to the CFA Pension Fund.</p> <p>Testing verified that necessary adjustments to Tax have been made correctly and included in Event logs for payment to HMRC.</p>
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Risk - CFA Pensions 2324 Contributions	
Inaccurate data input into Resourcelink leading to contributions calculated incorrectly resulting in erroneous pension contributions deducted from employees salary.	
Control - CFA Pensions 2324 Contributions	Assessment
<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 - initialised by both</p>	<p>Testing of a sample of 20 firefighters confirmed that contribution rates are correct.</p> <p>No AVCs were identified</p> <p>Contributions values deducted from salary are reconciled to Integra and posted correctly to the CFA Pension Fund.</p>

<p>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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Risk - CFA Pensions 2324 Information Security	
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.	
Control - CFA Pensions 2324 Information Security	Assessment
<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>	<p>Information Security Policy documentation at XPS defines arrangements for protection personal data from loss or harm.</p> <p>The Service Auditor Report on Internal Controls, including Safeguarding Assets and Information Technology dated 2024 provides assurance that personal information on XPS Altair system is held in a secure manner.</p>

Risk - CFA Pensions 2324 Local Pension Board	
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.	
Control - CFA Pensions 2324 Local Pension Board	Assessment

<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> <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>Cleveland Fire Authority have established a Local Pension Board (LPB).</p> <p>Terms of reference have been established for the Board and are formatted in accordance Code of practice no. 14 Governance and administration of public service pension schemes.</p> <p>Meetings are held on a regular basis.</p> <p>Review of minutes of LPB meetings confirmed that:</p> <ul style="list-style-type: none"> • Meetings are quorate; • The order of business is in accordance with Terms of Reference and includes: <ul style="list-style-type: none"> ○ review of scheme administration ○ legislative updates ○ review of risk register ○ a requirement to declare any conflicts of interest. <p>There is evidence of Member training with records of training maintained.</p>
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Risk - CFA Standard Work Program Risk - Data Protection / GDPR	
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.	
Control - CFA GDPR/Data Protection Standard Control	Assessment
Compliance with CFA policies and procedures.	The assessment of data risks and implementation of appropriate controls is in accordance with CFA policies and procedures that are fully compliant with current Data Protection and GDPR guidance.

	<p>A privacy notice is published on the CFA website.</p> <p>Client data is only processed on XPS managed devices. All electronic external data transfers involving client personal data or business confidential information are secured with Transport Layer Security (TLS) using AES 256-bit encryption. All electronic external data transfers involving client personal data or business confidential information are secured.</p> <p>All CFA staff / Members are required to undertake Information Governance Training on an annual basis.</p>
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ACTION PLAN

All risks identified at planning are managed at an acceptable level.