

STAFFORDSHIRE FIRE & RESCUE SERVICES

Financial Controls – Pension Arrangements

Internal audit report 5.22/23

Final

14 February 2023

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1. EXECUTIVE SUMMARY

Why we completed this audit

As part of the 2022/23 Internal Audit Plan we have carried out a review which considered the governance arrangements in place for pension administration at the Service, and in particular around the interface with the West Yorkshire Pension Fund (WYPF). The Service outsources its pension administration services to WYPF. The Contract in place between the Service and WYPF was entered into in January 2018 and has been extended to November 2024.

The Pensions Coordinator and Pensions Remedy Manager manage the day-to-day running of pensions service administration for the Service which includes, but is not limited to:

- Liaise with WYPF and the County Council (Stoke-on-Trent) regarding current and future members of the Firefighters Pension Schemes;
- Review and check member data to ensure accuracy of information reported to WYPF; and
- Review and check that payroll data submitted monthly to WYPF is accurate and timely.

Stoke-on-Trent City Council run the Service's payroll function and is responsible for sending spreadsheets to the Service each month which detail all active pension contributors at the Service. This spreadsheet also includes member details such as their role, personal details such as date of birth and address, the date they joined the pension scheme, which pension scheme they are part of, and their employee pension contributions for the month, among other information.

As the Contractor, WYPF is responsible for the provision of a full range of pension services including record maintenance; monthly pension payments; application of PAYE tax routines; calculation of benefits upon death; overpayment recovery handling; implementation of Pension Sharing Orders; and general correspondence processes, among other administrative services.

The Service receive monthly reports from WYPF that detail performance against KPIs which are set based on WYPF's obligations as per the Contract. These monthly reports are reviewed by the Director of Finance to identify any lapses in performance by the WYPF which are subsequently queried with the Client Manager at WYPF, where appropriate.

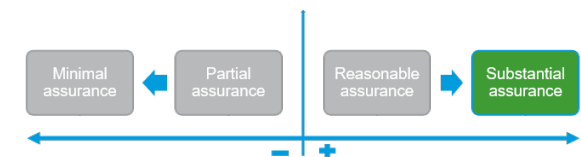
Conclusion

The Service has a robust control framework in place regarding the administration of member pensions and subsequent pension contributions. This includes, but is not limited to the following:

- The review of pension spreadsheets from Stoke-on-Trent City Council to ensure member details reconcile to the Service's Pension Accounts to confirm accurate pension contributions are submitted to WYPF. This also includes the identification of starters and leavers;
- The timely payment of invoices to WYPF as per the requirements set out within the Contract; and
- The review of WYPF's performance as per their Contract obligations via monthly reports which are received by the Service from WYPF.

Internal audit opinion:

Taking account of the issues identified, the Service can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.



Key findings

The following aspects of the control framework were found to be operating effectively:

Contract



We confirmed a Contract was in place for the pension administration services between the Service and WYPF which had been signed and authorised by nominated individuals from each party. The Contract was due to expire 1 July 2022, however both parties have agreed to extend the contract until November 2024.

New Starters Process

New starters are automatically enrolled onto the pension scheme: the date they join the scheme is recorded on the monthly spreadsheets received by the Pensions Coordinator from Stoke-on-Trent City Council. The date they joined the scheme therefore also represents their start date within the spreadsheet.

The WYPF Portal is no longer used for new starters. Instead, an Action Slip, which details the member's start date (which is also the date they joined the scheme), is forwarded to the Pensions Coordinator by the HR Team, each time there is a new starter. Upon receipt, the Action Slip is used by the Pensions Coordinator to make sure the date they joined the scheme recorded within the monthly spreadsheet is accurate. A note is also made against the new starter's record within the spreadsheet to identify them as a new starter. Testing a sample of 20 new starters confirmed that in all cases:

- An Action Slip was in place for the new starter;
- The start date recorded on the Action Slip reconciled to that recorded on the spreadsheet;

- The new starter was included on the WYPF Pension Portal; and
- The start date on the portal reconciled to the date recorded on the spreadsheet.

Reconciliation of pensions spreadsheets

As part of the audit we confirmed the Pensions Coordinator had reviewed and reconciled the pensions spreadsheets provided by Stoke-on-Trent City Council, against the payroll information provided by the Payroll Team, for September, October and November 2022.



The Pension Coordinator advised that, although confirmation is received from the Council, once the spreadsheets have been uploaded to the WYPF portal, the notifications automatically delete one month later and therefore we could only be provided with the submission for the November 2022 spreadsheet. Through review we confirmed this had been uploaded on 15 December 2022 and therefore had been submitted in a timely manner.

Annual Benefit Statements (ABS)

Testing of a sample of 20 staff members at the Service confirmed that in all cases:

- A 2021/22 ABS was in place which details the member's pensionable pay for the year ended 31 March 2022; and
- The pensionable pay for the year ended 31 March 2022 recorded within the ABS reconciles to the grossed up pensionable pay as per the Service's records.



Pension Contributions

Testing the same sample of 20 staff members at the Service confirmed that in all cases:

- The total pension contributions recorded on the WYPF Portal for the 2021/22 financial year reconciled to the individual's substantive salary pension contributions as per their payslip; and
- These substantive total pension contribution amounts for the 2021/22 financial year were in line with the contributions expected as per the scheme contribution rate terms.

Monthly WYPF Reports

We confirmed the monthly reports for October, November and December 2022 include the performance of the WYPF against the agreed KPI'S.

In addition, we confirmed that the reports had been reviewed by the Director of Finance upon receipt and no issues had been required to be raised with WYPF regarding performance.

Quarterly Fire Client Meetings:

We confirmed through review of meeting minutes for the meetings held on 13 July and 19 October 2022 that the Service attends Quarterly Fire Client meetings which are hosted by WYPF for all fire services to attend.

Through review of these minutes we also confirmed that updates are provided on areas including but not limited to the following: audits, updates, KPI review, Pension Board updates and any other business.

Invoices for the pension administration service

Our review of the September, October, November and December 2022 invoices paid by the Service confirmed that all four invoices were paid in a timely manner to WYPF and were appropriately authorised in line with the Services Scheme of Delegation.

The following areas of improvement were noted for the established control framework:

Job descriptions

We reviewed the job descriptions for the Pensions Coordinator and the Pensions Remedy Manager. Space was outlined at the bottom of each document for the job descriptions to be approved by the appropriate Line Manager. However, through review we identified that they had not been signed or dated by a Line Manager. **(Low)**

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Roles and Responsibilities				
Control	Job descriptions clearly outline roles and responsibilities and are reflective of current responsibilities.	Assessment:		
	The job descriptions are reviewed and then signed and dated by the staff member's line manager to demonstrate continuous compliance to Service Policy in relation to Information Security.	Design		✓
		Compliance		×
Findings / Implications	We reviewed the job descriptions for the Pensions Coordinator and the Pensions Remedy Manager and found that these outlined the following:			
	<ul style="list-style-type: none">• Overall Function;• Main Tasks;• Duties; and• Person Specification.			
	Additionally, discussion with the corresponding personnel confirmed that these reflected the current roles and responsibilities of their post. However, we noted that the documents had not been reviewed and signed by a Line Manager as per the dedicated section in the documents.			
	Without appropriate approval, there is a risk the descriptions may not be accurate and maintained up to date.			
Management Action 1	The job descriptions of the Pensions Coordinator and Pensions Remedy Manager will be reviewed by their respective Line Managers to ensure they are reflective of current arrangements.	Responsible Owner: David Greensmith / Chief Finance Officer	Date: 31 March 2023	Priority: Low
	Each job description will be signed and dated by the appropriate Line Manager (Director of Finance/ Chief Finance Officer).			

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Financial Controls – Pension Arrangements	0	(6)	1	(6)	1	0	0
Total					1	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objective of the area under review

An effective financial control framework in place for the administration, review, and processing of pension payments.

When planning the audit, the following areas for consideration and limitations were agreed:

This review will focus on the outsourced pension administration services the Service has in place with West Yorkshire Pension Fund. Testing will be completed around the management of the contract as well as ensuring the duties of both parties are being sufficiently carried out.

- A contract is in place which has been maintained up to date, signed by both parties and clearly sets out the roles and obligations of the Service and provider.
- Roles and responsibilities have been clearly defined for the management of pension services at the Service and West Yorkshire.
- Internal procedure notes, guidance notes are in place for the day-to-day management of pension services by the Service.
- The process for monthly information flow from Stoke-on-Trent City Council to West Yorkshire will be reviewed. A separate sample of applicable staff will be selected to ensure timely communication in order for the information to flow through to annual benefit statements.
- Monthly charges and payment will be reviewed to ensure these are in line with contract criteria and appropriately approved internally by the Service.
- Monthly management information reports received from the Pension Fund will be reviewed. Additionally, any internal management information and performance reporting in place for pension administration will also be considered.
- Contract management procedures are in place for the Service to monitor delivery.

Limitations to the scope of the audit assignment:

- This review will consider the contract management processes in place for the outsourced pension service and therefore we will not comment on the individual calculation and payments to staff members.
- All testing completed will be on a sample basis only and will focus on the current financial year (2022/23).
- We will not determine whether the correct advice has been provided to employees regarding their pension schemes.
- We will not provide an opinion on the payroll functions within the Authority.
- We did not confirm pension payments back to bank statements.
- The review will not verify whether sufficient numbers, or suitable, staff or service providers have been employed by the Authority, to provide an effective pensions administration service.
- We will not provide assurance that pension payments have been made into the correct employees' bank accounts.
- We will not provide assurance that the Authority has sufficient funds to cover the pension schemes only that processes are reasonable and have been applied.
- We will not provide assurance that contribution calculations have been made accurately for new starters and retirees in receipt of their pension.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- Our work will not provide an absolute assurance that material errors, loss or fraud do not exist.

Debrief held 27 January 2023
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