



Pension Scheme Administration CS04- 2023

INTERNAL AUDIT ENGAGEMENT PLAN

Release: Draft

Date: 17 February 2023

Plan Author: Rudo Chitaukire

Plan Reviewer: Sarah Bubb

| Key Deliverable Dates | |
|------------------------------|------------------|
| Fieldwork Start | 20 February 2023 |
| Draft Report | 31 March 2023 |
| G&A Committee reporting date | TBC |

1 BACKGROUND & OBJECTIVES

A. Background

- 1) The Local Government Pension Scheme (LGPS) is a public service pension scheme. It is administered locally by 86 pension funds in England and Wales. Kent Pension Fund is one of those regional funds.

Kent County Council (KCC) is the administering authority for the LGPS in Kent and for the Kent Pension Fund. The administration of members records is administered by KCC and the employers in the scheme. Employers include local authorities and public service organisations however, teachers and those on NHS terms and conditions have their own pension scheme.

- 2) There is a clear distinction between KCC and the Kent Pension Fund. The assets of the Fund are held completely separately from those of KCC and over 400 other participating employers in the Kent Pension Fund.
- 3) The Pension Administration Section and the Treasury and Investments Section share the day-to-day management of the Kent Pension Fund and have responsibilities to the fund together with the Pension Fund Committee.
- 4) Significant risks identified are:

From the Departmental risk register

Governance

- G1 - The Administering Authority fails to have appropriate governance arrangements, including the requirement for a Pension Board, resulting in:
 - Non-compliance with legislation and/or best practice.
 - Inability to determine policy, make effective decisions and/or deliver service.
 - Risk to reputation
- G2 - Failure to comply with regulations and guidance from the National Scheme Advisory Board, the Pensions Regulator and Pensions Ombudsman.
- G9 - increased Cyber Security threats, including to employers' systems.

Administration

- A4 - Security and integrity of member data.
- A7 - McCloud judgement - implementation of changes required.

Inherent risks

- The correct benefits are not paid to the correct members at the correct time leading to members suffering hardship and reputational damage for KCC.

B. Objectives

- 5) As part of the 2022/23 Audit Plan, it has been agreed that Internal Audit will undertake a review of Pension Scheme Administration.
- 6) The aim of the audit is to provide assurance on the controls in place for key administrative processes including, but not limited to, new joiners, transfers in/out, deaths and retirements.

2 SCOPE

- 1) The audit will include a review of relevant documentation, interviews with key officers and sample testing of controls.
- 2) In order to provide assurance, the Internal Audit approach will include a review of controls in the following key areas:

Governance and oversight arrangements

- The appropriateness of governance and oversight arrangements.
- Management information, including the reporting and monitoring of Key Performance Indicators (KPIs).

Policies, procedures and staff training

- The policies and procedures available to staff and accessibility of these.
- Induction, mandatory and refresher training arrangements.
- Identification of training needs and provision of additional training / support.

System access, data security and data quality

- Access to the Altair system is appropriately restricted.
- Staff can only access the data they require for their role.
- Completeness and accuracy of member data - this will include the use of data analytics where appropriate.

Pension scheme administration

- The adequacy of controls in place to ensure all pension scheme processing is accurate and timely, covering the following key processes:
 - New joiners
 - Leavers
 - Transfers in
 - Transfers out
 - Deaths
 - Retirements

Compliance with scheme rules and regulations

- Compliance with regulatory reporting requirements.
- Implementation of new directives.

Capacity and resourcing of the pension scheme administration team

- The arrangements in place to ensure that the team is adequately resourced to achieve the key aims and objectives of the team.

- 3) In addition, as per best practice guidelines, Internal Audit may explore emerging lines of enquiry, particularly in relation to concerns relating to probity/fraud.
- 4) As per the Internal Audit Charter, Internal Audit will consider value for money issues and the potential for any efficiency gains.

3 KEY CONTACTS

Timing

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|--------------------|------------------|
| Fieldwork start | 20 February 2023 |
| Draft Report issue | 31 March 2023 |
| Final report issue | 21 April 2023 |

Resources – Internal Audit

| | |
|---------|-----------------|
| Auditor | Rudo Chitaukire |
| QA | Sarah Bubb |

Departmental Contacts

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|----------------|--|
| Nick Buckland | Head of Pensions & Treasury |
| Clare Chambers | Pensions Administration Manager |
| Louise Savage | Pension Administration & Performance Manager |

Systems Access

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| None. |
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4 REPORTING

A. Reporting Process

- 1) On completion of the fieldwork, the findings and issues identified will be discussed with the relevant officers and management actions agreed.
- 2) A draft report, incorporating the audit opinion, will be issued for agreement of factual accuracy, before issue of the final report to the full circulation list (below).
- 3) A brief summary of the report and the opinions given will be reported to the Governance & Audit Committee. Internal audits are based on an assurance over the system or function controls and it's ability to improve. Once the agreed date for implementation of any agreed actions has passed, responsible managers will be contacted to confirm that these have been implemented.

B. Report Distribution

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|---|----------------|
| Leader | Roger Gough |
| Chair of Governance & Audit Committee | Rosalind Binks |
| Cabinet Member for Finance, Corporate and Traded Services | Peter Oakford |
| Deputy Cabinet Member for Finance | Paul Cooper |
| Corporate Director - Strategic & Corporate Services | David Cockburn |
| Corporate Director – Finance | Zena Cooke |
| Head of Pensions & Treasury | Nick Buckland |
| Pensions Administration Manager | Clare Chambers |