



Teesside Pension Fund - Administration
Middlesbrough Council
Internal Audit Report 2022/23

Business Unit: Finance
 Responsible Officer: Director of Finance
 Service Manager: Head of Pensions Governance and Investments
 Date Issued: 23 May 2022
 Status: Final
 Reference: 71920/002

	P1	P2	P3
Actions	0	0	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

Teesside Pension Fund (TPF) is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from fund investments. The TPF's assets, after payment of benefits, are invested as directed by the Pension Fund Committee.

The day to day running of the TPF is delegated to the Director of Finance of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pension Fund Committee. Supporting the Director is the Head of Pensions, Governance and Investments who oversees two groups. The Pensions Administration Team is responsible for the calculation and payment of pension benefits and for looking after employer interests in the TPF. This function is currently outsourced and is delivered by XPS Administration.

The Pensions Governance and Investments Team manages the investment of the TPF in conjunction with the advice of TPF's external investment advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board (TPB). The TPB assists Middlesbrough Council, as the Administering Authority, to: a) secure compliance with the regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by the Pension Regulator in relation to the scheme; and b) to ensure the effective and efficient governance and administration of the TPF.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Effective controls are in place for applying pension increases, creating and paying new pension records, and identifying and recovering overpayments.

The scope of this audit was originally agreed as an objective within a previous TPF Administration audit (71920/001) finalised in August 2021.

Key Findings

We found that there are effective controls in place for applying pension increases, creating and paying new pension records and identifying and recovering overpayments.

We were provided with evidence confirming that the validation and reconciliation process performed by XPS to ensure pension increases are applied correctly, is being followed. We saw that the pension increase procedure notes are sufficiently detailed and provide clear guidance to staff involved in the process. The 2022/23 pension increase procedure notes have been updated to reflect feedback received

from the annual Audit and Assurance Faculty (AAF) review undertaken by XPS. This review highlighted the need to ensure that post-run checks can be supported by evidence, along with confirmation from a second employee, prior to the pension increase being submitted. We also saw evidence to demonstrate that pension increases had been appropriately authorised prior to being applied.

Our review of new pension records did not highlight any concerns. The evidence provided to us confirmed the accuracy of payments made at the correct rate, and that new pension details are uploaded into Altair in a timely manner. The lack of any identifiable issues is also consistent with the conclusions contained in the annual XPS Service Delivery Report for 2021/22, with XPS reporting only 2 out of 2,208 new members being processed beyond the target of 20 working days.

We reviewed a sample of ended pension records, and confirmed that appropriate evidence was available to support the ending of the accounts that we looked at, and that the records had been updated appropriately.

XPS have processes in place for identifying and calculating pension overpayments that are required to be recovered. Overpayments are generally as a result of late notifications being received from external parties, which is beyond the ability of XPS to control.

We reviewed a sample of suspended pensioner records and confirmed that the reason for the suspension had been recorded, and that evidence was available to support the suspension.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion

Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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