

## ITEM No ...11....

**REPORT TO:** PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD

**REPORT ON:** TAYSIDE PENSION FUND INTERNAL ANNUAL AUDIT REPORT 2019/20

**REPORT BY:** EXECUTIVE DIRECTOR OF CORPORATE SERVICES

**REPORT NO:** 164-2020

### 1 PURPOSE OF REPORT

To submit to the Sub-Committee the Annual Audit Report prepared by the Fund's Internal Auditor, PricewaterhouseCoopers (PwC).

### 2 RECOMMENDATIONS

The Sub-Committee is asked to note the content of the Annual Report as well as the content of the appended reports on specific audit exercises undertaken, and to approve the management response.

### 3 FINANCIAL IMPLICATIONS

None.

### 4 MAIN TEXT

#### 4.1 Annual Internal Audit Report 2019/20 (Appendix A)

The report outlines the internal audit work undertaken in conformance with Public Sector Internal Audit Standards. In-keeping with these requirements, PwC have provided an opinion, based on the following:

- Findings of audit work undertaken
- Adequacy and effectiveness of governance, risk management and control

Tayside Pension Fund has received an annual opinion of general satisfaction, with no reports or findings in work undertaken being high risk or critical. PwC did however note that there are some areas of weakness that could potentially put the achievement of objectives at risk, and which would benefit from improvement in order to enhance operational adequacy and effectiveness.

#### 4.2 Internal Audit Report 2019/20 – Record keeping and amendment to standing data (Appendix B)

The report details the review of the design and effectiveness of key controls in relation to record keeping and amendments to data during the financial year. Based on their findings, PwC rate the control environment as medium risk, having identified 2 medium risks, 1 low risk and 1 advisory point. PwC classify medium risk as that a finding could have moderate impact on operational performance, reputation, financial impact, or regulatory breach.

#### 4.3 Internal Audit Report 2019/20 – Pension Benefits and Payments (Appendix C)

The report details the review of the design and effectiveness of key controls in place over monitoring and oversight of pension benefit calculations and payments made during the financial year. Based on their findings, PwC rate the control environment as medium risk, having identified 2 medium risks and 2 low risks.

#### 4.4 The findings of both individual audits and the respective recommendations have been discussed with management and their responses are contained within the reports. The implementation of the agreed management actions will be monitored, with progress being reported to the Sub-Committee in due course.

**5 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

**6 CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services has been consulted on the content of this report and are in agreement with the contents.

**7 BACKGROUND PAPERS**

None

**GREGORY COLGAN  
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**11 SEPTEMBER 2020**

# Internal audit annual report 2019/2020



Tayside Pension Fund  
DRAFT  
June 2020



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## Distribution list

For action:	
Pension Sub-Committee & Pension Board	
For information:	
Executive Director Corporate Services	
Head of Corporate Finance	
Senior Manager Financial Services	







# Executive summary

## Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2020.

Internal audit services were intended to be provided throughout the financial year by Dundee City Council Internal Audit with co-sourced support, however due to a conflict of interest this was unable to be accommodated. PwC were engaged to provide internal audit services on 30th April 2020, subsequent to the end of the financial year on 31st March 2020. Whilst PwC were able to carry out the historical reviews, retrospective appointment should be avoided in order to demonstrate good governance.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Pension Sub-Committee agreed to a level of internal audit input of 32 days which were delivered. Whilst this report is a key element of the framework designed to inform the Annual Governance Statement there are also a number of other important sources to which the Pension Sub-Committee should look to gain assurance. This report does not override the Pension Sub-Committee's responsibility for forming their own view on governance, risk management and control.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards.

## Head of internal audit opinion

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

## Opinion

Our opinion is as follows:

### Generally satisfactory with some improvements required

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Please see our Summary of Findings in Section 2.

# Executive summary

An explanation of the types of opinion that may be given can be found in Appendix 2.

## **Basis of opinion**

Our opinion is based on:

- The audits undertaken during the year.
- Our overall understanding of the Tayside Pension Fund and the issues it faces.

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

## **Commentary**

The key factors that contributed to our opinion are summarised as follows:

- No reports pertaining to the governance, risk management and control have received an overall rating of high or critical risk.
- No individual findings identified through the internal audit work completed in the period have been rated as high or critical risk.
- We have issued 2 medium risk rated reports with 4 medium and 2 low risk rated findings across the internal audit reviews completed in the period.

## **Acknowledgement**

We would like to take this opportunity to thank the Senior Manage, Financial Services and all the staff at Dundee City Council, for their cooperation and assistance provided during the period.

# Summary of findings

Our annual internal audit report is timed to inform the organisations Annual Governance Statement. A summary of key findings from our programme of internal audit work for the year work is recorded in the table below:

## Description

### Overview

We completed **two** internal audit reviews. This resulted in the identification of **4 medium and 2 low** risk findings to improve weaknesses in the design of controls and operating effectiveness. No high or critical rated reports were issued and no high or critical rated findings were raised in the 2019/20 year.

### Internal control issues

During the course of our work we have not identified control weaknesses that we consider should be reported in your Annual Governance Statement.

### Other weaknesses

Other weaknesses were identified within the organisation's governance, risk management and control resulting in 4 medium risk findings and 2 low risk findings across the 2 internal audit completed in the 2019/20 year. Key findings raised in the year included the following:

- Review and approval of policies and process notes - The Tayside Pension Funds Pension Administration Strategy sets out the standards required of the participating employers and the Fund to ensure that the Fund meet their statutory obligations and demonstrate ability to deliver services efficiently. Further policies and procedures over record keeping and amendments to standing data are included within The Record Management Plan and there are various process notes that address key day-to day activities at the Fund. Whilst the policies and process notes are in place, Internal Audit recommend that the policies be subject to annual review and approval and that process notes have formalised version control.
- Timely issue and review of Annual Benefit Statement - Five out of ten Annual Benefit Statements (ABS) reviewed were issued late due to missing data received from employers or complex calculations. Further inspection of the breach register noted the failure to issue 22% of the 15,296 ABS within the required timescales as of 9 August 2019. This was due to failure to detect employer year end uploads by normal system run. This was reduced to 1% within two weeks, and the March 2020 Pensions Sub Committee papers noted that the breach issue had now been addressed, with all outstanding statements issued by 31 December 2019. Whilst management have informed Internal Audit that the outstanding work was carried out in a closed exercise, checks carried out on the accuracy of the Annual Benefit Statements were not evidenced.
- System enforced segregation of duties on Altair - Although there is capability to restrict users access on Altair to enforce system segregation of duties, we found that this was not in place, as both the Pension and Clerical teams had the same rights on the system. We recommend that appropriate system rights be applied to roles where possible.

### Follow up

We have not undertaken follow up work on previous audits, as this is our first year as Internal Auditors of Tayside Pension Fund.

### Good practice

We identified a number of areas of good practice:

- When processing data on the Altair system, staff scan copies of member files and documentation for retention. Internal audit conducted the reviews remotely due to the restrictions in place during Covid-19, and backup evidence and documentation was able to be provided electronically.
- Payments of Death grants are authorised by the Board of Senior Officers.
- Benefit calculations are checked by a Senior Staff Member or Manager to ensure they are accurate.

# Internal audit work conducted

## Introduction

The table below sets out the results of our internal audit work along with a comparison of planned and actual internal audit activity.

## Results of individual assignments

### Review

### Report classification

### Number of findings

	Critical	High	Medium	Low
Record keeping and amendments to standing data	-	-	2	1
Pension Benefits and Payments	-	-	2	1
<b>Total number of findings raised</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>2</b>

## Comparison of planned and actual activity

Audit unit	Budgeted days	Actual days
Record Keeping and Amendments to standing data	12	12
Pension Benefits and Payments	13	15
<b>Sub total</b>	<b>25</b>	<b>27</b>
Other IA activity (planning, coordination, reporting, Audit Committee, contingency)	7	5
<b>Total days</b>	<b>32</b>	<b>32</b>



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Appendix 1: Limitations and responsibilities

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Appendix 2: Opinion types

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Appendix 3: Basis of our classifications

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Appendix 4: Conformance with code of ethics and Internal Audit standards

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Appendix 5: Independence

# Appendices

# Appendix 1: Limitations and responsibilities

## Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

### Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

## Future periods

Our assessment of controls relating to Tayside Pension Fund for the year ended 31st March 2020. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within section 3 of this report.

## Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.



# Appendix 2: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

## Type of opinion

### Indication of when this type of opinion may be given

#### Satisfactory

- A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and
- None of the individual assignment reports have an overall report classification of either high or critical risk.

#### Generally satisfactory with some improvements required

- Medium risk rated weaknesses identified in individual assignments that are **not significant in aggregate** to the system of internal control; and/or
- High risk rated weaknesses identified in individual assignments that are **isolated** to specific systems or processes; and
- None of the individual assignment reports have an overall classification of critical risk.

#### Major improvement required

- Medium risk rated weaknesses identified in individual assignments that are **significant in aggregate but discrete parts** of the system of internal control remain unaffected; and/or
- High risk rated weaknesses identified in individual assignments that are **significant in aggregate but discrete parts** of the system of internal control remain unaffected; and/or
- Critical risk rated weaknesses identified in individual assignments that are **not pervasive** to the system of internal control; and
- A **minority** of the individual assignment reports may have an overall report classification of either high or critical risk.

#### Unsatisfactory

- High risk rated weaknesses identified in individual assignments that **in aggregate are pervasive** to the system of internal control; and/or
- Critical risk rated weaknesses identified in individual assignments that are **pervasive** to the system of internal control; and/or
- **More than a minority** of the individual assignment reports have an overall report classification of either high or critical risk.

#### Disclaimer opinion

- An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:
  - Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or
  - We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

# Appendix 3: Basis of our classifications

## Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Individual Finding Rating	Points Allocated	Report Risk Rating	Points Range
Critical	40 points per finding	Critical risk	40 points and over
High	10 points per finding	High risk	16–39 points
Medium	3 points per finding	Medium risk	7–15 points
Low	1 point per finding	Low risk	6 points or less



# Appendix 3: Basis of our classifications

## Individual finding ratings

### Finding rating Assessment rationale

**Critical**

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences ; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

**High**

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact ; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

**Medium**

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

**Low**

A finding that could have a:

- **Minor** impact on the organisation's operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

**Advisory**

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.



# Appendix 4 : Conformance with the code of ethics and internal audit standards

## Code of Ethics and Internal Audit Standards

We have a firm wide internal audit methodology which is aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. This is designed to standardise the approach to conducting internal audit engagements. All our work is documented in our dedicated internal audit software which sets out the procedures to be performed to achieve compliance with the standards. The inbuilt workflow functionality ensures that work is adequately documented and reviewed before results are shared. This is further supported by relevant training, supervision and review of the work performed by those with adequate experience and skill in the relevant areas. We also review a random selection of engagements to ensure they comply with the firm's requirements and have appropriately followed the internal audit methodology.

We can confirm that our work has been performed in accordance with this methodology.



# Appendix 5: Independence

We confirm that in our professional judgement, as at the date of this document, Internal Audit staff have had no direct operational responsibility or authority over any of the activities planned for review. We can confirm that as an organisation we are independent from Tayside Pension Fund.

In particular, in making this statement we have considered the following services:

Support provided by PwC	Value	Safeguards in place
Project Alexandria - PwC performed financial assessments of the Fund's employers to aide in assessing the strength of the Employer Covenant. 18 employers were reviewed as part of this project.	£62,000	The PwC Project Alexandria team carried out a financial assessment of the employers, they were not involved in the design of any controls, and had no operational responsibility or authority.  No reviews over Employer Covenant are included within the 2019/20 or 2020/21 Internal Audit Plan.



# Thank you

[pwc.com](https://www.pwc.com)

This is a draft prepared for discussion purposes only and should not be relied upon; the contents are subject to amendment or withdrawal and our final conclusions and findings will be set out in our final deliverable. This document has been prepared only for Tayside Pension Funds and solely for the purpose and on the terms agreed with Tayside Pension Fund in our agreement dated 30 April 2020. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to public sector internal audit standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000. If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure.

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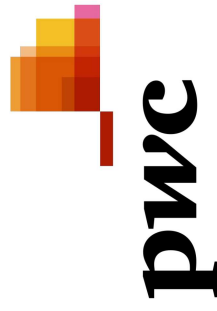
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# Internal audit report 2019/2020

164-2020 Appendix B



Record keeping and amendments to standing data  
Tayside Pension Fund  
DRAFT  
June 2020



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## Distribution list

For action:  
Senior Manager Financial Services  
Pension Administration Manager

.....  
For information:  
Pension Sub-Committee & Pension Board  
Executive Director Corporate Services  
Head of Corporate Finance

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# Executive summary (1 of 2)

## Report classification



**Medium Risk**

## Trend

A review of this nature has not been performed in previous years.

## Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	1	-	1
Operating effectiveness	-	-	1	1	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>1</b>

## Introduction

This review was undertaken in line with the 2019/20 Internal Audit plan, as approved by the Executive Director Corporate Services, Head of Corporate Finance and Senior Manager Financial Services on 12 May 2020 and the Pension Sub-Committee on 9 June 2020.

We reviewed the design and operating effectiveness of the key controls in place relating to record keeping and amendments to standing during the period 1st April 2019 - 31st March 2020. This included consideration of policies, roles and responsibilities, reporting, data retention and data security.

Overall, we have rated the control environment as *Medium Risk*. We have raised two medium risk, one low risk and one advisory finding. Further details are included in section 3 of this report.

## Summary of key findings

The two medium risk findings are summarised below.

**Finding 1 - Review and approval of Policies and Process notes [Medium Risk].** The Tayside Pension Funds Pension Administration Strategy sets out the standards required of the participating employers and the Fund to ensure that the Fund meet their statutory obligations and demonstrate ability to deliver services efficiently. Further policies and procedures over record keeping and amendments to standing data are included within The Record Management Plan along with various process notes that address key day-to day activities at the Fund. Whilst the policies and process notes are in place, Internal Audit found that their review and approval was outdated.

**Finding 2 - System enforced segregation of duties on Altair [Medium Risk].** Although there is capability to restrict Users Access on Altair to enforce system segregation of duties, we found that this was not in place, as both the Pension and Clerical teams have the same rights on the system.



# Executive summary (2 of 2)

## **Good practice noted**

During the course of our review some areas of good practice were noted, including:

- When processing data on Altair system, staff usually scan copies of member files and documentation for retention on the system. Internal audit conducted the review remotely due to the restrictions in place during Covid-19. Internal Audit requested backup evidence across 50 Samples, and documents were able to be provided electronically for 46 of these. The Senior Manager Financial Services noted the intention for all documentation to be continued to be received electronically, even when office working resumes.

## **Management comments**

Recommendations made by PwC will compliment existing good practice and further strengthen operational governance.





# Background and scope

## Background

Tayside Pension Fund has been administered by Dundee City Council since 1st April 1996. It is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established under the primary legislations of the Superannuation act 1972 and Public Service Pensions Act 2013.

As at 31st March 2019, Tayside Pension Fund had investment assets of £3.903 billion, and a membership of 48,935 across 46 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

There are approximately 100 LGPS funds in the UK, with 11 of these in Scotland. Tayside is the 4th largest of the 11 Scottish LGPS funds in asset size. The LGPS is a multi-employer defined benefit scheme, whose benefits up until 31st March 2015 was based upon final salary. Since this date, benefits are based upon career average.

The rules by which the LGPS scheme operates by are set out in the Local Government Pension Scheme (Scotland) Regulations which are Scottish Statutory Instruments (SSIs). Separate regulations set out scheme benefits, investment and governance requirements

An audit of Tayside Pension Funds (TPF) Record keeping and Amendments to Standing Data is included in the 2019/2020 Internal Audit plan, as approved by the Executive Director Corporate Services, Head of Corporate Finance and Senior Manager Financial Services on 12 May 2020 and the Pension Sub-Committee on 9 June 2020. This audit will focus on assessing the design adequacy and operating effectiveness of controls in place over the monitoring and oversight of the data collected for pension funds and key processes including amendments and transfer of standing data.

## Limitations of Scope

The audit is not an assessment of the overall accuracy and completeness of all record keeping of the Tayside Pension Fund. The scope of this audit is focused on the amendments to standing data and pension records which may lead to incorrect estimates being issued and potentially incorrect pensions being paid, specifically the scope is limited to the objectives noted in the Terms of Reference.

# Current year findings (1 of 4)

## 1

Review and approval of Policies and Process notes

Operating effectiveness

### Finding and root cause

The Tayside Pension Fund Pension Administration Strategy sets out the standards required of the participating employers and the Fund to ensure that the Fund meet their statutory obligations and demonstrate the ability to deliver services efficiently. Further policies and procedures over record keeping and amendments to standing data are included within The Record Management Plan along with various process notes that address key day-to day activities at the Fund.

Inspection of these documents found that:

1. The Pension Administration Strategy is dated 2015, though a review was noted as having taken place in 2018.
2. The Record Management Plan, which details the data retention policy, is found to be dated 2017. The sub-policies such as the GDPR policy have been updated independently.
3. Process notes are in place for amendments to standing data, such as new starts, leavers, retirees. However, we noted that there is no formalised version control and review for these process notes. In addition, there are no process notes in place for bulk transfers, as this is deemed an unusual type of arrangement.

The strategy contains a variety of performance measures against which the Fund and participating employers are assessed with performance being reported to the Committee. This strategy statement is published and provided to all participating employers. Inspection of Fund's complaint register noted that four complaints were raised within the audit period regarding failure to respond to queries on time which could be due to the Key Performance Measures and process notes not being reflective of the day to day processes carried out.

### Finding rating

Rating

Medium

### Potential implications

Where the Strategy statement and process notes are not reviewed on a regular basis, there is the risk that they are outdated and do not appropriately reflect the current business practice.

### Recommendation

The Fund should conduct a review into the operational effectiveness of the Strategy Statement on an annual basis. The reviewed statement should be discussed with the Pension Sub-committee of The Policy, Resources Committee, and Pension Board. Changes to the statement should be communicated to employers and members.  
Bulk transfer process notes should be documented.  
Process notes should be version controlled and reviewed on a regular basis, with evidence of review documented.

### Management action plan

Agreed Action Annual review of Administration Policy and review by Sub-Committee & Board will be undertaken and communicated to members & employers. The bulk transfer process will be documented and included in the process notes. Formalised version control and review schedule will be introduced.	<b>Responsible person/title:</b> ..... Tracey Russell <b>Target date:</b> ..... 30 September 2020
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# Current year findings (2 of 4)

## 2 System enforced segregation of duties on Altair Control Design

### Finding and root cause

The Pension Assistant uploads request for changes to data on the Altair system, after which a task is created. A Clerical Team member then updates the system after which it is cross checked by another Clerical Team member.

Although there is capability to restrict Users Access on Altair for both the Pension Assistant and Clerical Team members to enforce system segregation of duty, we found that this is not the case as both team have the same rights on the system.

It was also noted that once every two months, the IT systems and Process analyst runs a report from Altair which shows all members who have been added to the system, who have not yet had their new start letters generated. This is used as a control to monitor all new starters which have been added. However, all users within the Pension Fund have access to send out the new start letters.

### Potential implications

Where Users Access is not restricted by role, there is the risk of lack of segregation of duty, which could result in unauthorised amendments to standing data.

### Recommendation

An enforced segregation of duty should be built into Altair, which prevents Clerical Staff and Pension Assistants exercising the same rights on the system.

### Management action plan

Agreed Action.

Although task segregation already is already in place in practice, further controls will be investigated, and where possible, additional task rights will be applied within Altair to ensure system enforced segregation.

Manual record creation rights will be removed for all staff.

### Responsible person/title:

Lynne McKenzie

### Target date:

31 July 2020

### Finding rating

Rating

Medium

# Current year findings (3 of 4)

# 3

Maintaining evidence of review  
Operating effectiveness

## Finding rating

Rating

Low

### Finding and root cause

Once an update to standing data has been made on Altair, it is automatically added to the task list which is transferred into the work allocation list. The reviewer picks up the reviewing task from the work allocation list and ensures that all details of the update on Altair are accurate and complete. To ensure segregation of duty, every update is checked by an independent person.

During fieldwork, the following exceptions were found in regards to the checks taking place:

1. New members are created through the joiners process and added to the New Start file. The file is then used by the IT systems and Process Analyst to send out new start letters and also to review new members created at the end of every month. Nonetheless, we found that there is no evidence of this New Starter review taking place.
2. During the test of 25 amendments to standing data, we found that there is no check recorded for one change of name, one update to Nomination details, and one change to status actioned on Altair.
3. There is no control in place to ensure that the staff member noted as preparer/reviewer in the work allocation is accurate and that the person had indeed carried out the specified task.

This could be partly attributed to the procedures not specifically stating the requirement to retain evidence of the checks conducted. In addition, it could also be that due to the level of trust in staff that the need of retention of audit trail is not seen as a necessity.

### Potential implications

Where there is no evidence of checks retained, there is a risk of unauthorised changes being made to standing data which could lead to reputational and financial loss.

### Recommendation

Completion of work allocation list should be reviewed by Managers to ensure tasks have been completed by an appropriate staff member. In addition, checks conducted should be evidenced accordingly.

### Management action plan

Agreed Action.

Management currently review the work allocation sheets, however the system will be updated to ensure that segregation is effected between preparer and reviewer.

In addition to this, regular review of systems MI reports will be undertaken to ensure reviews have been undertaken and evidenced on the system.

### Responsible person/title:

Lynne McKenzie

### Target date:

31 July 2020

# Current year findings (4 of 4)

# 4

Evidence of start letter being sent  
Control Design

## Finding

At the end of each month New Start files are collated and the members are sent out their New Start paperwork which is required to be sent out within 2 months of the member joining the scheme.

We found that for five out of seven new starters, although there is evidence of start letter being printed, there is no evidence they were actually sent out.

This could be attributed to the fact that the Altair system is not designed to confirm that start letters have been sent to new members

## Recommendation

An audit trail of starters letters sent out should be maintained

## Finding rating

Rating

Advisory



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Appendix A: Basis of our classifications

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Appendix B: Terms of reference

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Appendix C: Limitations and responsibilities

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Appendix D: Best practice and insight

# Appendices

# Appendix A: Basis of our classifications

## Individual finding ratings

### Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

### High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

### Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

# Appendix A: Basis of our classifications

## Individual finding ratings

**Low**



A finding that could have a:

- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.





**Advisory**



A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points	Report classification	Findings rating	Points
<b>Critical</b>	40 points per finding		Low risk	6 points or less
<b>High</b>	10 points per finding		Medium risk	7 – 15 points
<b>Medium</b>	3 points per finding		High risk	16 – 39 points
<b>Low</b>	1 point per finding		Critical risk	40 points and over





# Appendix B: Terms of reference

This review is being undertaken as part of the 2019/2020 internal audit plan, as approved by the Executive Director Corporate Services, Head of Corporate Finance and Senior Manager Financial Services on 12 May 2020 and the Pension Sub-Committee on 9 June 2020.

## Background

Tayside Pension Fund has been administered by Dundee City Council since 1st April 1996. It is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established under the primary legislations of the Superannuation act 1972 and Public Service Pensions Act 2013.

As at 31st March 2019, Tayside Pension Fund had investment assets of £3.903 billion, and a membership of 48,935 across 46 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

There are approximately 100 LGPS funds in the UK, with 11 of these in Scotland. Tayside is the 4th largest of the 11 Scottish LGPS funds in asset size. The LGPS is a multi-employer defined benefit scheme, whose benefits up until 31st March 2015 was based upon final salary. Since this date, benefits are based upon career average.

The rules by which the LGPS scheme operates by are set out in the Local Government Pension Scheme (Scotland) Regulations which are Scottish Statutory Instruments (SSIs). Separate regulations set out scheme benefits, investment and governance requirements

An audit of Tayside Pension Funds (TPF) Record keeping and Amendments to Standing Data is included in the 2019/2020 Internal Audit plan, to be agreed by the Pension Sub Committee on 22nd June 2020. This audit will focus on assessing the design adequacy and operating effectiveness of controls in place over the monitoring and oversight of the data collected for pension funds and key processes including amendments and transfer of standing data.

## Audit Objectives

- To ensure appropriate procedures are in place over amendments to standing data, such as new starts, leavers, retirees and death of pensioners are recorded timeously and accurately. This includes leaver notifications, death certificates and pension enrolment forms.
- To ensure appropriate procedures are in place over transfers in and they have a valid transfer pack to ensure all relevant information has been obtained.
- To ensure adequate policies and procedures are in place to ensure amendments such as bank details and addresses are appropriately authorised as complete and accurate.

# Appendix B: Terms of reference

## Scope

We will review the design and operating effectiveness of key controls in place relating to record keeping during the period 1st April 2019 - 31st March 2020  
 The sub-processes, risks and related control objectives included in this review are:

Process	Objectives	Risks
Record Keeping And Amendments to Standing Data	<ul style="list-style-type: none"> <li>Appropriate procedures are implemented to ensure that amendments to standing data, such as new starts, leavers, retirees and death of pensioners are recorded timeously and accurately. This includes leaver notifications, death certificates and pension enrolment forms.</li> <li>All transfers in have a valid transfer pack to ensure all relevant information has been obtained.</li> <li>Appropriate procedures are implemented in order that amendments such as bank details and addresses are appropriately authorised as complete and accurate</li> </ul>	<ul style="list-style-type: none"> <li>Incorrect records leading to incorrect estimates being issued and potentially incorrect pensions being paid.</li> <li>Reputational Risk</li> <li>Risk of financial loss</li> </ul>

# Appendix B: Terms of reference

## Limitations of scope

The audit will not be an assessment of the overall accuracy and completeness of all record keeping of the Tayside Pension Fund. The scope of this audit is focused on the amendments to standing data and pension records which may lead to incorrect estimates being issued and potentially incorrect pensions being paid, specifically the scope is limited to the objectives noted above.

## Audit approach

Our audit approach is as follows:

- Obtain an understanding of the relevant units through discussions with key personnel, review of systems documentation and walkthrough tests.
- Identify the key risks of the record keeping processes
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

# Appendix C: Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

## Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

# Thank you

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This document has been prepared only for Tayside Pension Funds and solely for the purpose and on the terms agreed with Tayside Pension Funds in our agreement dated 30 April 2020. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

This is a draft prepared for discussion purposes only and should not be relied upon; the contents are subject to amendment or withdrawal and our final conclusions and findings will be set out in our final deliverable.]]

In the event that, pursuant to a request which Tayside Pension Funds has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Tayside Pension Funds is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Tayside Pension Funds agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such. If, following consultation with PwC, Tayside Pension Funds discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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# Internal audit report 2019/2020

164-2020 Appendix C



Pension Benefits and Payments  
Tayside Pension Fund  
DRAFT  
June 2020



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## Distribution list

<b>For action:</b>	.....
Senior Manager Financial Services	
Pension Administration Manager	
<b>For information:</b>	.....
Pension Sub-Committee & Pension Board	
Executive Director Corporate Services	
Head of Corporate Finance	

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# Executive summary (1 of 2)

**Report classification**

 **Medium Risk**

**Trend**

A review of this nature has not been performed in previous years.

## Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	-	-	-
Operating effectiveness	-	-	2	1	-
<b>Total</b>	-	-	2	1	-

## Introduction

This review was undertaken in line with the 2019/20 Internal Audit plan, as approved by the Executive Director Corporate Services, Head of Corporate Finance and Senior Manager Financial Services on 12 May 2020 and the Pension Sub-Committee on 9 June 2020.

We reviewed the design and operating effectiveness of controls in place over the monitoring and oversight of pension benefits and payments made during 1st April 2019 - 31 March 2020. This considered key processes including calculation of benefits and accurate and timely payment.

Overall, we have rated the control environment as Medium Risk. We have raised two medium risk and one low risk findings. Further details are included in section 3 of this report.

## Summary of key findings

The two medium risk findings are summarised below.

**Finding 1 - Timely issue of Annual Benefit Statement [Medium Risk].** During fieldwork, we found five out of ten Annual Benefit Statements to have been issued late, due to missing data received from employers or complex calculations.

**Finding 2 - Maintaining evidence of Annual Benefit Statement Checks.** During fieldwork, we found that there is no evidence of checks being carried out on the accuracy of seven out of seven Annual Benefit Statements.

## Good practice noted

A key focus of the internal audit was to review the design and operating effectiveness of key controls and processes in place within over pension benefits and payments. During the course of our review some areas of good practice were noted, including:

- Benefit calculations are checked by a Senior Staff Member or Manager to ensure they are accurate.
- Board of Senior Officers authorise the payment of death grants. This is to ensure the grant is paid to the correct individuals and for the accurate amount.





# Executive summary (1 of 2)

## Management comments

Actions have already been taken in respect of improved timetabling and procedures, as well as increased system controls in order to better support the annual ABS process. These measures have been taken in response to issues encountered in the prior year, and the exercise is being closely monitored by senior management.

# Background and scope

## Background

Tayside Pension Fund has been administered by Dundee City Council since 1st April 1996. It is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established under the primary legislations of the Superannuation act 1972 and Public Service Pensions Act 2013.

As at 31st March 2019, Tayside Pension Fund had investment assets of £3.903 billion, and a membership of 48,935 across 46 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

There are approximately 100 LGPS funds in the UK, with 11 of these in Scotland. Tayside is the 4th largest of the 11 Scottish LGPS funds in asset size. The LGPS is a multi-employer defined benefit scheme, whose benefits up until 31st March 2015 was based upon final salary. Since this date, benefits are based upon career average.

The rules by which the LGPS scheme operates by are set out in the Local Government Pension Scheme (Scotland) Regulations which are Scottish Statutory Instruments (SSIs). Separate regulations set out scheme benefits, investment and governance requirements

An audit of Tayside Pension Funds (TPF) Pension Benefits and Payments was included in the 2019/2020 Internal Audit plan, as approved by the Executive Director Corporate Services, Head of Corporate Finance and Senior Manager Financial Services on 12 May 2020 and the Pension Sub-Committee on 9 June 2020. This audit focused on assessing the design adequacy and operating effectiveness of controls in place over the monitoring and oversight of pension benefits and payments.

## Limitations of Scope

The Scope of our audit is limited to the areas set out in the Terms of Reference. The audit is not an assessment of the overall accuracy and completeness of all pension benefits and payments of the Tayside Pension Fund. The scope of this audit is focused on the controls which may lead to incorrect benefit calculation and potentially incorrect pensions being paid.

# Current year findings (1 of 3)

## 1 Timely issue of Annual Benefit Statement Operating effectiveness

### Finding and root cause

The Funds have a statutory requirement to issue accurate benefit statements to its members annually. Statements are issued to active members by 31st of August, and to deferred members by 31st of July.

During fieldwork, we found five out of ten Annual Benefit Statements (ABS) to have been issued late, due to missing data received from employers or complex calculations.

Further inspection of the breach register noted the failure to issue 22% of the 15,296 ABS within the required timescales as of 9 August 2019. This was due to failure to detect employer year end uploads by normal system run. This was reduced to 1% within two weeks, and the March 2020 Pensions committee papers noted that the breach issue had now been addressed, with all outstanding ABS issued by 31 December 2019.

### Potential implications

Where Annual Benefit Statements are issued late to members, TPF could be breaching its statutory requirement leading to dissatisfaction among members and reputational damage.

### Recommendation

The ABS process should be started earlier, in order to ensure timely completion after consideration of late uploads and calculation complexity.

### Management action plan

Agreed Action

Improved timetable implemented for ABS 19/20 issue as well as close monitoring and follow up with employers to prevent requirement for significant manual exercise to be undertaken.

### Responsible person/title:

Tracey Russell

### Target date:

31 July 2020

### Finding rating

Rating

Medium

# Current year findings (1 of 3)

**2** Maintaining evidence of Annual Benefit Statement Checks  
Operating effectiveness

## Finding and root cause

A programme is run on Altair for all members that gives benefit data in a spreadsheet format. That data is then checked by the Pension Assistant Manager for accuracy and consistency. After which it is sent to the external contractors 'Adare' to be issued to members in PDF format.

During fieldwork, we found that there is no evidence of checks being carried out on the accuracy of seven out of seven Annual Benefit Statement (ABS). The Senior Manager Financial Services confirmed that as six of those are carried out under a closed exercise with a dedicated preparer and reviewer, checks would have been carried out even though the evidence is missing. The remaining one is an outlier and there is no evidence the check has been performed.

Further inspection of the breach log found a reported case of minor inaccuracy in the text of 2019 active benefit statements booklets due to failure to accurately proof read one version of text supplied by print service providers.

## Potential implications

Risk that checks might have not been completed on the Annual Benefit Statement, which could result in an inaccurate ABS being issued to members. This could lead to member's dissatisfaction.

## Recommendation

Checks on ABS should be evidenced and retained.

## Management action plan

Agreed Action.

To ensure full control and audit trail, any ABS cases requiring manual calculation will be tasked with independent check within the system

## Responsible person/title:

Lynne McKenzie

## Target date:

31 July 2020

## Finding rating

Rating

Medium

# Current year findings (1 of 3)

**3** Letters are not dated  
Operating effectiveness

## Finding and root cause

On Altair, letter templates are designed to pick up "today's day". However, we noted that letters issued to members and employers or other Local Government Schemes were not dated.

This could be attributed to system template issues, as it does not rightfully identify the relevant dates.

## Potential implications

Where letters are not dated, there is a risk of underperformance of timeline measures which are not picked up on time by Management. This could result in members dissatisfaction.

## Recommendation

Letters issued by the Pension Funds should be dated.

## Management action plan

Agreed Action

All templates will be checked to ensure that dates are included automatically, and these will be subject to periodic check to ensure no issues.

## Finding rating

Rating

Low

## Responsible person/title:

Lynne McKenzie

## Target date:

31 July 2020



# Appendices

# Appendix A: Basis of our classifications

## Individual finding ratings

### Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

### High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

### Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

# Appendix A: Basis of our classifications

## Individual finding ratings

**Low**

A finding that could have a:

- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

**Advisory**

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points	Report classification	Findings rating	Points
<b>Critical</b>	40 points per finding		Low risk	6 points or less
<b>High</b>	10 points per finding		Medium risk	7 – 15 points
<b>Medium</b>	3 points per finding		High risk	16 – 39 points
<b>Low</b>	1 point per finding		Critical risk	40 points and over





# Appendix B: Terms of reference

This review is being undertaken as part of the 2019/2020 internal audit plan, as approved by the Executive Director Corporate Services, Head of Corporate Finance and Senior Manager Financial Services on 12 May 2020 and the Pension Sub-Committee on 9 June 2020.

## Background

Tayside Pension Fund has been administered by Dundee City Council since 1st April 1996. It is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established under the primary legislations of the Superannuation act 1972 and Public Service Pensions Act 2013.

As at 31st March 2019, Tayside Pension Fund had investment assets of £3.903 billion, and a membership of 48,935 across 46 participating employers. These participating employers include 3 local authorities, as well as their subsidiary companies and contractors; a number of universities and colleges; and a range of organisations with funding or service links to local government.

There are approximately 100 LGPS funds in the UK, with 11 of these in Scotland. Tayside is the 4th largest of the 11 Scottish LGPS funds in asset size. The LGPS is a multi-employer defined benefit scheme, whose benefits up until 31st March 2015 was based upon final salary. Since this date, benefits are based upon career average.

The rules by which the LGPS scheme operates by are set out in the Local Government Pension Scheme (Scotland) Regulations which are Scottish Statutory Instruments (SSIs). Separate regulations set out scheme benefits, investment and governance requirements

An audit of Tayside Pension Funds (TPF) Pension Benefits and Payments is included in the 2019/2020 Internal Audit plan, to be agreed by the Pension Sub Committee on 22nd June 2020. This audit will focus on assessing the design adequacy and operating effectiveness of controls in place over the monitoring and oversight of pension benefits and payments and key processes including calculation of benefits and payments.

## Audit Objectives

- To ensure appropriate procedures are implemented over retirement benefits and that monthly pension calculations and lump sums are calculated accurately.
- To ensure annual increase to pension benefits is applied correctly.
- To ensure annual benefit notices are accurate and are distributed to existing active members on a timely basis.
- To ensure appropriate procedures are in place to ensure pension payments are only made to those members of the pension scheme entitled to receive such benefits and that payments are made at point of retirement.

# Appendix B: Terms of reference

## Scope

We will review the design and operating effectiveness of key controls in place relating to pension benefits and payments during the period 1st April 2019 - 31st March 2020

The sub-processes, risks and related control objectives included in this review are:

Process	Objectives	Risks
<b>Benefit Notices and Calculations</b>	<ul style="list-style-type: none"> <li>Appropriate procedures are implemented over retirement benefits, and that monthly pension calculations and lump sums are calculated accurately.</li> <li>Annual increase to pension benefits is applied correctly.</li> <li>Annual benefit notices are accurate and are distributed to existing active members on a timely basis.</li> </ul>	<ul style="list-style-type: none"> <li>Incorrect calculators leading to incorrect estimates being issued and potentially incorrect pensions being paid.</li> <li>Reputational Risk</li> <li>Risk of financial loss</li> </ul>
<b>Pension Payments</b>	<ul style="list-style-type: none"> <li>Appropriate procedures are in place to ensure pension payments are only made to those members of the pension scheme entitled to receive such benefits and that payments are made at point of retirement.</li> <li>Appropriate procedures are in place to ensure that pension payments are complete and accurate.</li> <li>Appropriate procedures are in place to ensure that pension payments are made on timely basis.</li> </ul>	<ul style="list-style-type: none"> <li>Incorrect or non payment of pensions.</li> <li>Reputational Risk</li> <li>Risk of financial loss</li> </ul>



# Appendix B: Terms of reference

## Limitations of scope

The audit will not be an assessment of the overall accuracy and completeness of all pension benefits and payments of the Tayside Pension Fund. The scope of this audit is focused on the controls which may lead to incorrect benefit calculation and potentially incorrect pensions being paid, specifically the scope is limited to the objectives noted above.

The Pension Administration and Pension Investment sections of Dundee City Council are responsible for administering the Tayside Pension Fund. The sections receive an allocation of the overheads of the Council, this is based on the amount of central services consumed, including those consumed in carrying out benefit administration and payment services. The scope of this audit does not include a value for money assessment, however we will be aware to any opportunities where efficiencies or improvements in these services could be made that would improve the value for money offered to the Tayside Pension Fund.

## Audit approach

Our audit approach is as follows:

- Obtain an understanding of the relevant units through discussions with key personnel, review of systems documentation and walkthrough tests.
- Identify the key risks of the record keeping processes
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

# Appendix C: Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

## Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



# Thank you

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This document has been prepared only for Tayside Pension Funds and solely for the purpose and on the terms agreed with Tayside Pension Funds in our agreement dated 30 April 2020. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

This is a draft prepared for discussion purposes only and should not be relied upon; the contents are subject to amendment or withdrawal and our final conclusions and findings will be set out in our final deliverable.]

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