

# Cairngorms National Park Authority

## INTERNAL AUDIT REPORT

### Pensions Administration

May 2017

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



# CONTENTS

Executive Summary	3
Detailed Findings and Recommendations	7
Appendices:	
I Staff Interviewed	9
II Definitions	10
III Terms of Reference	11







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DISTRIBUTION LIST	
David Cameron	Director of Corporate Services
Audit Committee	

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# EXECUTIVE SUMMARY

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Design	 There is a sound system of internal control designed to achieve system objectives.	High	
Effectiveness	 The controls that are in place are being consistently applied.	Medium	
		Low	 
		Total number of recommendations: 2	

OVERVIEW
<p><b>Background</b></p> <p>As part of the 2016-17 Internal Audit Plan, it was agreed that Internal Audit would assess the adequacy and robustness of the pension administration arrangements in place, including a review of the processes and procedures in place for compiling the annual certificate.</p> <p>MyCSP has a contract with the Scottish Government to act as their Authorised Pensions Administration Centre (APAC). The APAC undertakes a pension administration service on behalf of Cairngorms National Park Authority (CNPA), and provides scheme members with an annual pension statement.</p> <p>There is a signed agreement in place between the Cabinet Office and CNPA which details the responsibilities of both parties. The responsibilities of CNPA, referred to as the ‘Employer’, include ensuring personal data collected from members for transmission to MyCSP is current and accurate, ensuring any errors in CNPA’s data are corrected in a timely manner, and ensuring that the internal audit function undertakes periodic assessments on a number of areas, including record keeping and submission of contributions.</p> <p>CNPA is in regular communication with MyCSP. CNPA is required to submit a monthly interface spreadsheet to MyCSP, detailing salary and pension contributions in addition to any changes, such as new starts and leavers. This document is submitted to a specific Interface team mail inbox. CNPA can contact the MyCSP service centre for general questions and has been allocated a dedicated Service Delivery Manager at MyCSP, who can be contacted where any queries arise that require a detailed response in a timely manner.</p>

# EXECUTIVE SUMMARY

## OVERVIEW

To ensure the Interface spreadsheets are submitted to MyCSP without errors, there is a Validation Report tab included which highlights the total number of errors in the document. Within each tab, there is an 'error message' column which highlights where the error exists and the error type, which may relate to missing data or invalid text type. MyCSP also issues an email to CNPA confirming that no errors were recorded whilst uploading the data to MyCSP's internal database.

CNPA is required to submit a signed Accounting Officer Certificate and workbook to the Cabinet Office via email on an annual basis. The certificate is signed by CNPA's Chief Executive in line with the Cabinet Office's instruction within the 'Completion of the Accounting Officer Certificate and Workbook'. Further guidance provided on the Accounting Officer Certificate details the steps involved to complete the Certificate and workbook. There are a number of questions provided in the workbook which relate to various areas, including employer personnel, member admissions, contributions, audit, outsourced payroll and shared service providers. CNPA is required to assess its level of compliance when responding to each question using the following ratings: Green = Substantial, Yellow = Moderate, Amber = Limited, and Red = Unsatisfactory.

CNPA's employees are members of the Civil Service Pension Scheme. There are 6 different schemes available to staff: Classic, Classic Plus, Premium, Partnership, Nuvos and Alpha. Information and guides on each scheme are available to both members and employers on the Civil Service Pension Scheme website.

In order to determine which scheme each employee should be allocated to, the CNPA Finance Officer makes use of the Joiner Tool on the Civil Service Pension Scheme website. The Tool requires the employer to provide member details, such as employee name, NI number, date of birth, start date and gender. The employer is also required to detail whether the employee has previously been a member of Civil Service or public service pension arrangements. The details used to complete the Joiner Tool are taken from a Pension Questionnaire completed by each new employee. Once all details have been entered, the Tool will advise on which schemes the member can join or re-join and will state the most suitable application pack which should be sent to the employee.

CNPA is required to submit a monthly pension contribution form to the Cabinet Office, detailing the level of contribution for each month. The figures within the form are calculated from a monthly pension contributions analysis spreadsheet which is aligned to the monthly Sage payroll report. The Trainee Accounts, Payroll and Finance Officer is responsible for agreeing the analysis spreadsheet to the contribution form, with the Director of Corporate Services reviewing the documents to check that these agree and signing the form as approval to submit.

# EXECUTIVE SUMMARY

## OVERVIEW

CNPA has implemented security measures to ensure data is stored and transferred securely. The monthly interface spreadsheet issued to MyCSP is password protected, with the password being altered on a monthly basis. In addition, Pensions data is stored within a pensions folder on the shared 'R' drive, with access being restricted to members of Finance, Payroll and HR. Access to the pension contribution rates in Sage Payroll has been restricted to the Trainee Accounts, Payroll and Finance Officer. The Finance Officer has also been provided with access in order to deputise when the Trainee Accounts, Payroll and Finance Officer is on holiday.

### Scope and Approach

The scope of our review was to assess whether the annual pension certificate is completed correctly and whether the information held by the pension administrator agrees to Cairngorms National Park Authority's records. We assessed whether there is clear and regular communication between Cairngorms National Park Authority and the pension administrator, whether roles and responsibilities in relation to pensions administration are clearly defined and whether there are efficient and effective data compilation processes in place. In addition, we evaluated whether there are adequate arrangements in place to ensure pensions data is transferred securely, and whether staff have been allocated to the appropriate pension arrangement.

Our approach was to review key documentation in relation to the pensions administration processes and interview key staff to assess whether the design of the controls is appropriate and these controls are operating effectively and as described.

### Good Practice

We note a number of areas of good practice. CNPA makes use of the Civil Service Pension Scheme Joiner Tool, which determines the most suitable pension scheme for each individual employee. Roles and responsibilities in relation to pensions administration have been clearly documented and are available to relevant staff. Robust security measures have been implemented to ensure that pension data is stored and transferred securely. In addition, the 2015-16 Accounting Officer Certificate has been completed in line with guidance issued by the Cabinet Office, and was submitted prior to the 30th April 2016 deadline.

# EXECUTIVE SUMMARY

## OVERVIEW

### Key Findings

Notwithstanding the elements of good practice noted above, our review highlighted opportunities for improvement, which are summarised below:

- **Pensions data compilation processes** - Although our review identified that standard processes are followed consistently for compiling pensions data, there is no documented procedure available to staff which outlines the process to be followed.
- **Data reconciliations** - There is an opportunity for CNPA to receive oversight of the monthly reconciliations prepared by MyCSP to ensure that the information held by MyCSP agrees to CNPA's records.

### Conclusion

We are able to provide substantial assurance over the design and effectiveness of the controls in place around the adequacy and robustness of the pension administration arrangements in place.

## RISKS REVIEWED GIVING RISE TO NO FINDINGS OF A HIGH OR MEDIUM SIGNIFICANCE

- ✓ The annual pension certificate may not be completed correctly
- ✓ The information held by the pension administrator may not agree to Cairngorms National Park Authority's records
- ✓ There may not be clear and regular communication between Cairngorms National Park Authority and the pension administrator
- ✓ Roles and responsibilities in relation to pensions administration may not be clearly defined
- ✓ There may not be efficient and effective data compilation processes in place
- ✓ There may not be adequate arrangements in place to ensure pensions data is transferred securely
- ✓ Staff may not be allocated to the appropriate pension arrangement

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: There may not be efficient and effective data compilation processes in place			
Ref.	Finding	Sig.	Recommendation
1	<p>It is important that staff have access to sufficient guidance on CNPA's pensions data compilation processes, to ensure a consistent and high quality approach is adopted.</p> <p>Although our review identified that standard processes are followed consistently for compiling and administering pensions data, there is no documented procedure available to staff which outlines the process to be followed.</p> <p>There is an opportunity to ensure data compilation processes are carried out consistently and effectively, even in the event of staff absence, by ensuring documented processes are in place.</p>	●	<p>We recommend that CNPA develops a procedure outlining the pensions data compilation and administration processes. This should include a step-by-step guide, covering the preparation, approval, and distribution of pensions data.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed.			<p><i>Responsible Officer: Head of Organisational Development with Trainee Finance and Payroll Officer</i></p> <p><i>Implementation Date: 31 December 2017</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: The information held by the pension administrator may not agree to Cairngorms National Park Authority's records			
Ref.	Finding	Sig.	Recommendation
2	<p>The Service Level Agreement between the Cabinet Office and MyCSP outlines the responsibility of MyCSP, as the Contractor, to undertake a full reconciliation of the pensioner payroll bank accounts and various controls accounts with the Authority on a monthly basis.</p> <p>Currently, no information on these checks is provided to CNPA. There is an opportunity for CNPA to receive oversight of the monthly reconciliations prepared by MyCSP to ensure that the information held by MyCSP agrees to CNPA's records.</p>	●	<p>We recommend that CNPA obtains the monthly reconciliations prepared by MyCSP and performs a check to ensure that the information held by MyCSP agrees to CNPA's records.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>While this provision is in the SLA, CNPA staff have previously asked for the reconciliations from MyCSP in order to perform local checks, with the response that facilities are not yet in place to support transfer of this information.</p> <p>The recommendation is agreed, while noting therefore there are some factors outwith our control that prohibit achieving implementation. We will seek the information again by the end of the calendar year.</p>		<p><i>Responsible Officer: Head of Organisational Development with Trainee Finance and Payroll Officer</i></p> <p><i>Implementation Date: 31 December 2017</i></p>	










# APPENDIX I - STAFF INTERVIEWED

NAME	JOB TITLE
Mark Tucker	Trainee Accounts, Payroll & Finance Officer
Sandy Allan	IT Service Manager

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

# APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b> 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b> 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b> 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
<b>High</b> 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b> 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b> 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

# APPENDIX III - TERMS OF REFERENCE

## BACKGROUND

MyCSP has a contract with the Scottish Government to act as their Authorised Pensions Administration Centre (APAC). The APAC undertakes a pension administration service on behalf of Cairngorms National Park Authority, and provides scheme members with an annual pension statement.

As part of the 2016-17 Internal Audit Plan, it was agreed that Internal Audit would assess the adequacy and robustness of the pension administration arrangements in place, including a review of the processes and procedures in place for compiling the annual certificate.


## PURPOSE OF REVIEW

The purpose of this review is to provide management and the Audit Committee with a level of assurance that Cairngorms National Park Authority has put in place effective processes to ensure the adequacy and robustness of the pension administration arrangements.

## KEY RISKS

Based upon the risk assessment undertaken, discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- The annual pension certificate may not be completed correctly;
- The information held by the pension administrator may not agree to Cairngorms National Park Authority's records;
- There may not be clear and regular communication between Cairngorms National Park Authority and the pension administrator;
- Roles and responsibilities in relation to pensions administration may not be clearly defined;
- There may not be efficient and effective data compilation processes in place;
- There may not be adequate arrangements in place to ensure pensions data is transferred securely; and
- Staff may not be allocated to the appropriate pension arrangement.



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