



Cairngorms National Park Authority

Pension Provision

Internal Audit 2010/11

February 2011

Strictly Private and Confidential

Project Sponsor	David Cameron
Key Client Contact	Morag James

This report and the work connected therewith are subject to the Terms and Conditions of the engagement letter dated 5th December 2008 between Cairngorms National Park Authority and Deloitte LLP. The report is produced solely for the use of Cairngorms National Park Authority. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Deloitte LLP will accept no duty or responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

Cairngorms National Park Authority – Pension Provision

Executive Summary

Background

The Cairngorms National Park Authority (CNPA) has 62 members of staff (66 at the start of the year with four leavers during the year), each is given the option of joining one of the Principal Civil Service Pension Schemes (PCSPS). Two options are currently available: NUVOS - a defined benefit scheme introduced in July 2007; and Partnership - a defined contribution stakeholder pension, open to new entrants joining on or after 1st October 2002.

Long serving staff members or those who transferred from other organisations operating within the Civil Service Pension Scheme may have alternative options available to them that are not offered to new staff. These options include; Classic and Premium, both are closed defined benefit scheme is based upon final salary.

The current pension scheme membership at CNPA is as follows:

Pension Scheme	Members	Leavers
Classic	5	-
Premium	48	2
Nuvos	12	2
Partnership	1	-
Total	66	4

The Scottish Government has a contract with the Department of Work and Pensions (DWP) to act as their Authorised Pensions Administration Centre (APAC). The APAC undertakes a pension administration service on behalf of CNPA, and provide scheme members with an annual pension statement.

The Human Resource and Payroll teams have responsibility for communicating with the DWP, this includes providing quarterly updates on any member or contribution changes. The CNPA officers responsible for administering the pension schemes have access to the Employers Pensions Guide (EPG) and Employer Pension Notices (EPN) published by the Civil Service. These document the employer, APAC and employee roles and responsibilities in respect of the Civil Service Pension Schemes.

Scope and Objectives

We have undertaken a key controls review to ascertain the adequacy and effectiveness of the internal control environment in place over pension provision management within CNPA. Our full scope is included at **Appendix A**.

Cairngorms National Park Authority – Pension Provision

Executive Summary

Approach

Our approach was to document the systems and procedures in operation through discussions with relevant staff and the review of appropriate documentation. The key controls were then tested to determine their adequacy and effectiveness.

Overview of Key Findings

The staff responsible for pension provision at Cairngorms National Park Authority are knowledgeable about the requirements and processes associated with the Principal Civil Service Pension Scheme (PCSPS). However, the management of pensions offer some scope for improvement. We identified one medium priority finding and one low priority finding, these are summarised below:

- A control gap was identified in relation to the identification and management of staff that take up a post with another employer who is also part of the PCSPS: and
- The Human Resource Manager has yet to attend a Xfinity Paymaster pension basics course.

Based on the work performed over the control environment across pension provision management, our overall assessment is that the current design and operation of controls is **Substantial**.

Summary

The following table summarises our findings by priority and nature. Our detailed recommendations for improvement are shown in the findings section.

Objectives	Total	Priority			
		Very High	High	Medium	Low
Employer requirements	1	-	-	1	-
Details and deductions	1	-	-	-	1
Reporting	-	-	-	-	-
Total	2	-	-	1	1

A more detailed explanation of the above priorities can be found at **Appendix B**.

Cairngorms National Park Authority – Pension Provision

Findings

Objective – Employee and Employer details and deductions are recorded and calculated accurately and are transferred to the Cabinet Office and DWP within the required timescale.				
Finding		Recommendation	Rationale	
1 – Transfer to another PCSPS employer				
<p>Of the four members that left CNPA in the current year, one obtained a new job with another employer within the PCSPS.</p> <p>At this point a transfer form (CSP Trans 1) and an employee import / export form (E18 (08)) should have been completed to maintain the employee’s service record.</p> <p>The Support Officer processing the departure was not aware of the transfer and an AUTH 2 leavers form was completed instead.</p> <p>The issue was identified when the individual commenced their new employment and the Support Officer was notified of the omission by the DWP. The correct forms were subsequently completed.</p>		<p>Management should review the format of the exit interview and the leavers’ checklist to ensure that all relevant pension information is obtained.</p> <p>Processes should be put in place to ensure that this information is shared across relevant departments.</p>	<p>It is important that an employee’s continuity of service within the CSPS is maintained to reduce the potential of an erroneous diminution in pensionable entitlement.</p> <p>Completion of the forms transferring an employee from one member of the CSPS to another is the process for maintaining a continuous record of service.</p>	
Management Response			Responsibility/ Deadline	Priority
<p>Recommendation agreed and steps taken to address this matter since it was highlighted at close of audit process. Checklist used for controlling activities around staff leaving organisation now updated to prompt consideration of whether staff member is leaving to another PCSPS employer and various steps identified to be undertaken if that is the case.</p>			<p>HR Manager and CS Support Officer / March 2011</p>	<p>Medium</p>

Cairngorms National Park Authority – Pension Provision

Findings

Objective – Staff are aware of the key requirements of the Employers Pension Guide and have an understanding of all necessary processes and procedures.				
Finding		Recommendation	Rationale	
2 – Training				
<p>The Accounting Officers Certificate and the CNPA's Pension Risk Register state that the Human Resource Manager will attend a Xafinity Paymaster pension basics course during the course of 2010.</p> <p>During the course of our review, we were informed by CNPA staff that the training provider has not run any courses in Scotland in 2010.</p>		<p>Arrangements should be made for the Human Resource Manager to attend a Xafinity Paymaster pensions course, or suitable equivalent as soon as is practical.</p>	<p>The Employers Pension Guide states that Human Resource personnel should have an awareness of the pensions and compensation schemes.</p> <p>Attendance on a training course is a method of providing evidence of this awareness. There are three training providers named within the EPG; Xafinity Paymaster, LexisNexis and the National Association of Pension Funds.</p>	
Management Response			Responsibility/ Deadline	Priority
<p>As stated in findings, we have been trying to source training during 2010 but all courses are based in London or S England and therefore costly in time and finances. CNPA pension risk register reflects certificate requirement for HR Manager to attend training course, although this risk is substantially mitigated by knowledge of and close working relationship with CS Support Officer. We will seek to source training in 2011 if possible.</p>			<p>HR Manager / December 2011</p>	<p>Low</p>

Cairngorms National Park Authority – Pension Provision

Appendix A: Detailed scope

Scope

The provision of a pension is seen as one of the key terms and conditions with respect to employee recruitment and retention. The Department of Work and Pensions (DWP) administer the Civil Service pension arrangements for the staff at Cairngorms National Park Authority (CNPA). The Human Resource (HR) and Payroll departments are the initial point of contact for staff joining the scheme and provide all relevant details to the DWP who maintain a record for all staff. A detailed Employers Pension Guide is published by the Civil Service which defines the responsibilities of HR and payroll staff.

The specific objectives of this review were to assess the controls in place over the following areas:

- Staff are aware of the key requirements of the Employers Pension Guide and have an understanding of all necessary processes and procedures;
- Employee and Employer details and deductions are recorded and calculated accurately and are transferred to the Cabinet Office and DWP within the required timescale; and
- Reporting to Cabinet Office is timely, accurate and subject to appropriate review.

Cairngorms National Park Authority – Pension Provision

Appendix B: Internal Audit Evaluations

Overall assessment

Assessment Rating	Description
Substantial	Controls / procedures accord with accepted good practice and are operating to a high standard.
Adequate	The majority of controls / procedures accord with accepted good practice and are operating, although some deficiencies exist which could result in loss or fraud.
Limited	Controls / procedures in place offer scope for considerable improvement and concern is expressed about their adequacy.
Inadequate	The existing control environment requires substantial revision, and results in an unacceptably high risk of the Cairngorms National Park Authority suffering financial and/or reputational loss.

Standards

Management should be aware that our internal audit work was performed according to the Institute of Internal Auditors - UK and Ireland standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assessment on any gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Cairngorms National Park Authority – Pension Provision

Appendix B: Internal Audit Evaluations

Priorities	Explanations
<p style="text-align: center;">Very High</p>	<p><i>Fundamental control weaknesses or opportunities identified.</i></p> <p>A “very high” rating reflects significant weaknesses in the systems of internal control or processes for monitoring performance that will undermine the continued operation of the service. As applicable within the audit scope, deficiencies exist with respect to compliance with applicable laws and regulatory or other requirements, Cairngorms National Park Authority policies and procedures, and sound control practices. A “Very High” rating indicates that <u>immediate corrective action is required</u> to reduce exposure to loss of income or assets or to danger to life or injury.</p>
<p style="text-align: center;">High</p>	<p><i>Major control weaknesses or opportunities identified or a significant volume of important weaknesses or opportunities identified.</i></p> <p>A “high” rating reflects weaknesses in the systems of internal control or processes for monitoring performance. As applicable within the audit scope, deficiencies exist with respect to compliance with Cairngorms National Park Authority policies and procedures, sound control practices, and/or applicable laws and regulatory or other requirements. A “High” rating indicates that <u>timely corrective action is required</u> to reduce exposure to loss of income or assets or to danger to life or injury.</p>
<p style="text-align: center;">Medium</p>	<p><i>Important control weakness or opportunities identified or a significant volume of individual control weaknesses.</i></p> <p>A “medium” rating reflects, based on the results of our limited testing, generally adequate systems of internal controls, processes for monitoring performance and compliance with legal or other requirements as applicable within the audit scope. Operations generally conform to Cairngorms National Park Authority policies and procedures, sound control practices and/or applicable laws and regulatory or other requirements, although minor deficiencies may exist.</p> <p>A “medium” rating indicates that any deficiencies noted do not significantly impair operational effectiveness, violate policy, law or regulations, or weaken control.</p>
<p style="text-align: center;">Low</p>	<p><i>Minor control weaknesses or improvement opportunities identified, generally of a lower risk nature.</i></p> <p>A “low” rating indicates, based on the results of our limited testing, strong systems of internal controls and processes for monitoring performance and compliance with legal or other requirements as applicable within the audit scope. No major control deficiencies or significant volume of weaknesses were noted by our limited testing.</p>

Cairngorms National Park Authority – Pension Provision

Statement of Responsibility:

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte LLP

Inverness

February 2011

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited