



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Ext: 74053

Item 1(a)

26th June 2024

INTERNAL AUDIT – Scheme Administration- Data Analytics

Purpose of Report:

To present the results of the Internal Audit review of the data quality within the Strathclyde Pension Fund Office's (SPFO) Altair pension administration system.

Note:

In most cases one of four opinions is expressed:

1. The control environment is satisfactory i.e. audit testing found no concerns with the control environment.
2. A reasonable level of assurance can be placed upon the control environment i.e. audit testing found no major weaknesses in the control environment but some improvements could be made.
3. A limited level of assurance can be placed upon the control environment i.e. improvements are necessary to ensure the control environment is fit for purpose.
4. The control environment is unsatisfactory i.e. significant improvements are required before any reliance can be placed upon the control environment.

Recommendations:

The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

Glasgow City Council Internal Audit Section

Committee Summary

Strathclyde Pension Fund Office – Scheme Administration – Data Analytics

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have carried out a review of the data quality within the Strathclyde Pension Fund Office's (SPFO) Altair pension administration system.
- 1.2 The Altair system is used by the SPFO to manage pension records and calculate pension payments which are then processed via SAP (the Council's financial ledger).
- 1.3 Reporting relating to the data quality of the information held within the Altair system is made available to the SPFO on a real time basis using the Heywood Insights dashboard.
- 1.4 Mortality screening for members based in the UK is provided by Accurate Data Services and an annual exercise for overseas members is completed by the Pension Fund.
- 1.5 The objective of the audit was to undertake data analytics work on the data held within Altair and identify any gaps in the current matching exercises undertaken. The audit included a review of the key controls in the following areas, to confirm that:
 - The data held within the Altair System is complete and accurate.
 - Appropriate data matching exercises and screen/verification work is undertaken.
 - Results of the above are reviewed, actioned and reported where appropriate.
- 1.6 We have sought to use data analytics to identify potential data quality issues with the data held in the Altair system. Where relevant we have reviewed the controls in place, but we have not assessed the control environment for the end-to-end scheme administration process.

2 Audit Opinion

- 2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and three recommendations which management should address.

3 Main Findings

- 3.1 The Heywood Insights analytics dashboard contains 30 data quality tests common across pension schemes and 102 scheme specific tests. We undertook a reperformance for a sample of five common and 22 specific tests using an extract from Altair. Reasonable explanations were obtained for any discrepancies in the common tests. However, some differences were identified in the scheme specific tests that could not be explained.
- 3.2 While the number of exceptions identified by the Heywood Insights dashboard represents a small proportion of the data held within the Altair system, currently the Pension Fund staff are not reviewing and actioning the exceptions identified in the dashboard due to resourcing.
- 3.3 Monthly mortality screening for the Pension Fund is provided for UK based members by Accurate Data Services (ADS). We reviewed the high confidence matches (where the name, full address or post code and full date of birth match a recorded death) for February 2024 and found that the payroll status had been updated in Altair for these members to prevent payment. However we identified some discrepancies in the figures between the management information report and the detailed list of matches provided by ADS.
- 3.4 The Pension Fund undertakes an annual life certification exercise for overseas members and our review of a sample of completed life certificates did not identify any exceptions. However, we noted that overseas members only need to provide their name, national insurance number and date of birth. These details are likely to be known by relatives and carers and this could be susceptible to fraudulent returns.
- 3.5 A review of ad hoc payments recorded in the Altair system was completed against data from the SAP financial ledger which identified a duplicate refund of £825. We were advised that this overpayment was a result of multiple rejected payment attempts as the member had supplied incorrect bank details.
- 3.6 An extract of members in receipt of a pension who currently work for Glasgow City Council was obtained from Altair, a sample of 15 of those who started to work for the Council after taking their pension was then selected. Where a member has

retired on the basis of redundancy, if they return to work for a LGPS employer there may be changes to their pension amount as well as clawback of any compensation payments. Of the sample, three had retired on the basis of redundancy or efficiency, however we have been advised that clawback was not required in these cases.

- 3.7 An action plan is provided at section four outlining our observations, risks, and recommendations. We have made three recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	3
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.8 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.9 We would like to thank officers involved in this audit for their cooperation and assistance.

- 3.10 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: The results of data quality exercises are actioned by the Pension Fund where appropriate.				
1	<p>It is noted that the number of exceptions in the Heywood dashboard is a small proportion of the overall Altair dataset. However, currently the exceptions in the Heywood Insights dashboard are not reviewed or actioned by the SPFO. These include potentially incorrect divorce details, transfer in and additional voluntary contributions, a service change which is not reflected on the members service history, and incorrect pension increase effective dates. We were advised that these are not being actioned due to resourcing issues but that this is being reviewed.</p> <p>A number of differences were also identified between our recalculation and the outputs from the Heywood Insights dashboard for the fund specific tests. We were advised that this could be as a result of differences in the data extracted for the re calculation.</p> <p>If the exceptions identified during the data quality exercise are not actioned where appropriate there is an increased risk that</p>	<p>SPFO management should introduce processes to review, prioritise and action the exceptions identified through the Heywood Insights dashboard. Management should also liaise with Heywood Pension Technologies to obtain an enhanced understanding of the tests completed as part of the dashboard to assist with prioritisation (including reasons for the differences noted in the observation).</p>	Medium	<p>Response: Accepted</p> <p>During any business as usual processing, member records are manually checked and verified for accuracy by staff before any leaver event is calculated and processed.</p> <p>SPFO set targets for the overall score of these reports in their business plan and these have improved each year. Given the volume of records and the fact that the member database is continually changing, it takes a lot of effort to have an impact on the scores. Improvement has been achieved through other data exercises including moving employers to i-Connect for data submissions and being able to address data issues more timeously as a result, data cleansing exercises for our triennial valuation, GMP Reconciliation and McCloud projects. These projects all resulted in missing or incorrect data being updated and contributed</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	errors are not corrected which could result in incorrect payments.			<p>to an increase in our data quality scores.</p> <p>SPFO will be undertaking a data cleansing exercise in preparation for the Pensions Dashboard Program that will take priority over these reports. SPFO anticipate this will also contribute to improvement in the data quality scores. This will take priority over the next 18 months. Thereafter, the Heywood dashboard processes will be reviewed and developed.</p> <p>Officer Responsible for Implementation:</p> <p>Principal Pension Officer</p> <p>Timescales for Implementation:</p> <p>30 September 2026</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: The results of mortality screening exercises are actioned by the Pension Fund where appropriate.				
2	<p>The Pension Fund undertakes an annual life certification exercise for overseas members. This is carried out via two different methods(hardcopy and online). Both methods require the pensioner to provide their name, address, telephone number, email address and national insurance number. However only the hardcopy form requires to be signed by a witness who is not a relative, warden or home help. This control is not in place for online returns. These details could be known by relatives and carers and therefore susceptible to fraudulent returns.</p> <p>Additionally, monthly mortality screening is provided for UK based members by Accurate Data Services (ADS). A review of high confidence matches for February 2024 indicates that pension payments for these members had been stopped. However, discrepancies were identified in the figures between the management information report and the detailed list of matches, for example, in February 2024, 233 high confidence matches were identified in the management information but only 175 were recorded in the detailed list.</p>	<p>SPFO management should consider requesting additional evidence for those completing the life certification process.</p> <p>Management should liaise with Accurate Data Services to ascertain the reason for the discrepancy in the figures between the management information report and the detailed list of matches. Action should be taken to address any matches missed.</p>	Medium	<p>Response: Accepted</p> <p>SPF take the stance that the member has signed up to a secure portal and should be treating it as such. A future version of the online platform will allow for Electronic Identification and Verification (EIV) and before changing our processes again we want to investigate what's possible with EIV that could aid with this exercise.</p> <p>There are other methods of being notified of deaths, including notification by family members, employers, our participation in NFI exercises and through notifications via the tell us once.</p> <p>ADS have investigated and confirmed manual error at their end. Processes have been put in place to prevent reoccurrence. A list of the missing matches was provided and reviewed. All of these had already been actioned as they had been identified via alternative methods.</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	<p>If appropriate evidence is not obtained during the life certification exercise, there is an increased risk that pension payments continue after an overseas members death. Additionally, if matches from the morality screening are not included in the detailed list of members there is the potential that the SPFO will continue to pay members who have passed away.</p>			<p>Officer Responsible for Implementation: Principal Pension Officer</p> <p>Timescales for Implementation: Completed(11 June 2024)</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Payments are reconciled between Altair and the SAP systems.				
3	<p>We have been advised that reconciliations of ad hoc payments between Altair and SAP by the Pension Fund are still in the testing phase.</p> <p>Our review of ad hoc payments (for the period April 2023 – January 2024) identified a duplicate contributions refund of £825. Financial Services have advised that while controls are in place to check for a BACS reject before making an additional payment, this overpayment was a result of multiple previously rejected payments attempts.</p> <p>Until regular reconciliations of ad hoc payments for Altair are in place, there is an increased risk of data quality errors within the system and incorrect payments not being identified. If the number of rejected payment attempts is not reconciled against the number of payments, there is an increased risk of duplicate payments.</p>	<p>SPFO management should work to formally introduce the planned reconciliations of ad hoc payments which we have been advised are currently being tested.</p> <p>SPFO management and Financial Services should investigate the circumstances that allowed the duplicate payment to occur.</p> <p>Financial Services should review their processes regarding BACS rejects to ensure duplicate payments are not made from the SPFO as a result of payments being rejected multiple times.</p>	Medium	<p>Response: Accepted</p> <p>SPFO – The reconciliations are now live as at June 2024.</p> <p>We confirmed that the multiple returns were due to multiple incorrect bank details received from the member and manual error in correcting.</p> <p>Financial Services(FS) - Corporate Finance check payments to identify duplicate payments and seek guidance from SPFO staff as to whether there is a reason for this. However, as a result of the error identified (due to multiple BACS rejects), a new process has been put in place. If a BACS reject takes place, FS staff will check the AP bank statement to confirm it is showing as a rejected payment. If multiple entries, FS must carry out a reconciliation to be assured that no overpayment is made. If FS are not able to confirm the BACS reject, FS will advise SPF staff that they cannot see the rejection and withdraw the payment until it shows as a rejected payment on the bank statement.</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
				<p>Officer Responsible for Implementation:</p> <p>SPFO – Principal Pension Officer</p> <p>Financial Services – Finance Manager</p> <p>Timescales for Implementation:</p> <p>SPFO – Completed (11 June 2024)</p> <p>Financial Services – Completed (11 June 2024)</p>

Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	Internal Audit services are included within the Central Support Services cost.
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

Equality and Socio-Economic Impacts:

<i>Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.</i>	No specific proposals are included within this report.
<i>What are the potential equality impacts as a result of this report?</i>	No significant impact.
<i>Please highlight if the policy/proposal will help address socio-economic disadvantage.</i>	There are no equality impacts as a result of this report.

Climate Impacts:

<i>Does the proposal support any Climate Plan actions? Please specify:</i>	Not Applicable
<i>What are the potential climate impacts as a result of this proposal?</i>	Not Applicable
<i>Will the proposal contribute to Glasgow's net zero carbon target?</i>	Not Applicable
<i>Privacy and Data Protection Impacts:</i>	None

5 Recommendation

- 5.1 The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.