



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Ext: 74053

Item 7(b)

24th November 2021

INTERNAL AUDIT – AD HOC PAYMENTS

Purpose of Report:

To present the results of the Internal Audit review of Ad Hoc Payments administration arrangements within the Strathclyde Pension Fund Office.

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.

Ward No(s):

Citywide:

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

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GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: **Strathclyde Pension Fund – Review of Ad Hoc Payments**

1. Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of the ad hoc payments administration arrangements in place at the Strathclyde Pension Fund Office (SPFO).
- 1.2 In addition to monthly pension payments, the SPF is also responsible for processing a number of ad hoc payments, including refunds, lump sums, death grants and transfer values. The value of these payments varies; however the monthly total can exceed £11.5 million across approximately 850 transactions. Ad hoc payments are calculated and recorded on the Altair pensions system where all corresponding documents are held. Once approved on Altair by a designated signatory, payments are input by a Finance officer onto the SAP system where they are authorised by another officer before being released for payment.
- 1.3 The purpose of the audit was to gain assurance that the administration of the main payments out with standard pension payments by Pensions staff are tightly controlled, taking account of changes to the control environment during the Covid-19 Pandemic.

1.4 The scope of the audit included:

- Reviewing the documented procedures and training available to staff responsible for processing and approving ad hoc payments;
- A walkthrough of all aspects of the payment process, including the process for verifying bank details;
- Confirming that appropriate segregation of duties is in place;
- Selecting a sample of ad hoc payments to confirm that they have been processed in accordance with the agreed process and have been approved appropriately;
- A review of the monitoring and reconciliation arrangements in place;
- Verifying that adequate records are held to support the payments; and
- Confirming any changes made to the documented arrangements as a result of the Covid-19 Pandemic.

2. Audit Opinion

- 2.1 Based on the audit work carried out, assurance can be taken that the control environment is satisfactory.

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3. Main Findings

3.1 We are pleased to report that the key controls are in place and operating effectively. There are documented procedures in place which are available to all relevant staff and officers processing and approving ad hoc payments are experienced and adequately trained.

3.2 We found that there are adequate arrangements in place to ensure that payments are processed accordingly, and bank details are verified. There is appropriate segregation of duties in place ensuring payments are checked by senior officers before being released for payment.

3.3 From reviewing a sample of 30 ad hoc payments processed between February and July 2021, we confirmed that in all cases:

- The requirements outlined in the procedures had been adhered to;
- The key tasks and records required were completed and retained accordingly;
- Payments due were calculated correctly and made to the expected individual;
- Bank details were confirmed and verified;

- Where additional approval was required (e.g. from the Discretion Board for Death Grant payments), this was obtained and retained;
- Payments were authorised by an appropriate officer prior to being passed to the finance team for processing; and
- The correct payment amount and bank details were processed on SAP and payments were approved prior to being released.

3.4 Changes to the ad hoc payments process required as a result of the Covid-19 Pandemic have been promptly implemented, communicated to staff and followed accordingly.

3.5 We were informed that it is not possible to undertake formal reconciliations between payments made on SAP and approved on Altair, however we noted that compensating controls are in place that would help to prevent any unauthorised payments being made. A daily spreadsheet ran from Altair details all payments to be processed for the day. This spreadsheet is password protected and we have been advised that it is restricted to only 2 officers, helping to prevent any unauthorised amendments/additions being made. In order to process a payment on SAP the inputter and approver are required to access Altair to obtain the relevant details, e.g. payment amount and bank details, therefore a payment would not be processed by the

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finance team unless it had been approved in Altair. Additionally, weekly SAP reports are run to help identify any duplicate payments made.

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

5 Policy and Resource Implications

Resource Implications:

Financial: Internal Audit services are included within the Central Support Services cost.

Legal: None

Personnel: None

Procurement: None

Council Strategic Plan: A well governed city.
A review of ad hoc payments was part of the agreed Internal Audit Plan.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify. Not applicable

What are the potential equality impacts as a result of this report? No significant impact.

Please highlight if the policy/proposal will help address socio-economic disadvantage. None

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify: Not applicable

What are the potential climate impacts as a result of this proposal? Not applicable

Will the proposal contribute to Glasgow's net zero carbon target? Not applicable

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**Privacy and Data
Protection Impacts:** None

6 Recommendation

6.1 The Committee is asked to note the contents of this report.