

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	16 September 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2213 - Pensions System
REPORT NUMBER	IA/AC2213
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Pensions System.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Pensions Systems.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and

control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

9. APPENDICES

9.1 Internal Audit report AC2213 – Pensions System.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Pension Fund

Pensions System

Issued to:

Steven Whyte, Director of Resources
Jonathan Belford, Chief Officer - Finance
Fraser Bell, Chief Officer - Governance
Laura Colliss, Pension Fund Manager
Gary Gray, Operations Manager
Marie Mclean, Benefit Administration Manager
Neil Middleton, Systems Manager
Claire Mullen, Employee Relationship manager
External Audit

EXECUTIVE SUMMARY

Background

The Local Government Pension Scheme is governed by the Public Service Pension Act 2013 and by the Local Government Pension Scheme (Scotland) Regulations 2018 (and associated amendments). The North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) are administered by Aberdeen City Council within the Local Government Pension Scheme (LGPS) Regulations.

As at 31 March 2021, the NESPF is the third largest LGPS Fund in Scotland in asset size at £5,777.2m, with 69,375 members and 48 participating employers, including two the Transport Fund. The ACCTF was created in October 1986 for employees of the former Passenger Transport Undertaking who transferred to the First Group; as at 31 March 2021 it had 1,604 members, net assets of £304.6m and two participating employers (First Aberdeen and First Glasgow).

The Funds are used to pay pensions, lump sum benefits and other entitlements to Scheme members and their dependents. The funds to pay these benefits are built up from contributions from both employees and employing bodies, together with interest, dividends and rent from investments.

The administering authority has delegated powers from the Council to the Pensions Committee and to senior Council officers, with regulation provided by the Pensions Regulator.

The NESPF Pension Fund Manager reports to Aberdeen City Council's Chief Officer – Finance and is currently responsible for approximately 45 Pensions staff operating in six distinct sections: Benefits, Accounting, Investment, Governance, Employer Relations and Systems.

Objective

The objective of this audit was to consider whether appropriate control is being exercised over the system used to administer the Fund, including access, contingency planning and disaster recovery, data input, and that interfaces to and from other systems are accurate and properly controlled.

Assurance

In general, the pensions system is adequately controlled. The system was appropriately procured and meets cyber security accreditation requirements; data back-up, business continuity and disaster recovery arrangements are sufficient; and data input controls are present.

However, interface reconciliations would benefit from a system of review to reduce the risk of interface failures being missed and pension accounts being misstated as a result. In addition, many workflow actions affecting pension recalculations related to the McCloud judgment (1,037 actions) where it was determined age discrimination affected younger scheme members as a result of the transition of local government pension schemes from final salary to Career Average Earnings pension schemes, and workflow actions related to the next actuarial revaluation (2,961 actions), need to be cleared ahead of the respective deadlines (October 2022 and May 2023), to avoid reputational damage should pensioners not receive the correct payments, or the actuarial revaluation process is disrupted.

Findings and Recommendations

I-Connect is a cloud-based data exchange portal that allows participating employers (currently 46) (transport employers do not use I-Connect as others do) to transfer scheme member level data to NESPF. These submissions occur monthly and include employee and employer pension contributions and employee pensionable pay for the calculation of Career Average Earning (CARE) benefits. Data submitted is uploaded to the respective members' accounts via an interface with the pension system. Every month the Employer Relationship Team (ERT) reconciles an i-Connect Submission Contributions Summary Report for each participating employer, detailing uploaded and rejected employee and employer pension contributions, to the remittance advice statements for the respective employer, detailing the payments received into NESPF's bank account. The February 2022 reconciliations were completed in a timely manner and on reviewing four reconciliations in detail, the reconciliations were adequately supported. However, it was noted that the reconciliations were not subject to review. In the absence of review there is an increased risk upload failures will not be detected, and member accounts will be misstated. A recommendation graded 'Significant within audited area' was raised with the Service to ensure interface reconciliations are subject to review.

System tasks are managed via workflow. At the time of review there were 7,103 workflow actions. The service advised most of these cases related to business-as-usual tasks relating to leavers, new retirements, transfers and deaths where information was outstanding from external sources, such as employers and pensioners. The Service also advised the high number of actions was initially built up due to home working and resourcing issues because of COVID-19, however the team are now back working in the office and have recruited new staff who will assist with clearing workflow actions. However, 1,037 (15%) of the workflow actions related to 'arrear' requiring back dated pay awards to be processed – this must be done before the outcome of the McCloud judgement consultation in October 2022, relating to age discrimination, due to the transition of local government pension schemes from final salary to Career Average Earnings pension schemes, for the service to be able to complete required benefit recalculations in a timely manner. In addition, 2,961 (42%) relate to 'concurrent' and 'join' cases where deferred pension and active pension records require to be aggregated; the service advised this aggregation work must be concluded by May 2023 ahead of the next actuarial revaluation exercise. Failure to process arrears and aggregation workflow actions will therefore likely lead to reputational damage should pensioners not receive the correct payments, or the actuarial revaluation process is disrupted. A recommendation graded 'Significant within audited area' was raised with the Service to ensure workflow actions affecting the ability to address McCloud judgement outcomes and the actuarial revaluation process.

Management Response

The Service agreed to update procedures and system controls as recommended, introduce a system of review for interface reconciliations and address the high volume of arrears and aggregation workflow cases affecting pension recalculations for members impacted by the outcome of the McCloud judgement and the next actuarial revaluation, respectively. Based on the draft Pension regulations resulting from the McCloud judgement, all eligible members with outstanding arrears cases have been identified and are being processed as a priority, this will continue until the backlog is cleared. For the outstanding aggregation (concurrent and join) cases additional resource recently appointed will provide opportunity for more experienced officers to clear the backlog prior to providing valuation data to the scheme actuary. Aggregation backlogs are not uncommon however it is larger than we would normally expect because of the pandemic.

INTRODUCTION

- 10.1 The Local Government Pension Scheme is governed by the Public Service Pension Act 2013 and by the Local Government Pension Scheme (Scotland) Regulations 2018 (and associated amendments). The North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) are administered by Aberdeen City Council within the Local Government Pension Scheme (LGPS) Regulations.
- 10.2 As at 31 March 2021, the NESPF is the third largest LGPS Fund in Scotland in asset size at £5,777.2m, with over 69,375 members and 48 participating employers. The ACCTF was created in October 1986 for employees of the former Passenger Transport Undertaking who transferred to the First Group; as at 31 March 2021 it had 1,604 members, net assets of £304.6m and two participating employers (First Aberdeen and First Glasgow).
- 10.3 The Funds are used to pay pensions, lump sum benefits and other entitlements to Scheme members and their dependents. The funds to pay these benefits are built up from contributions from both employees and employing bodies, together with interest, dividends and rent from investments.
- 10.4 The administering authority has delegated powers from the Council to the Pensions Committee and to senior Council officers, with regulation provided by the Pensions Regulator.
- 10.5 The NESPF Pension Fund Manager reports to Aberdeen City Council's Chief Officer – Finance and is currently responsible for approximately 45 Pensions staff operating in six distinct sections: Benefits, Accounting, Investment, Governance, Employer Relations and Systems.
- 10.6 The objective of this audit was to consider whether appropriate control is being exercised over the system used to administer the Fund, including access, contingency planning and disaster recovery, data input, and that interfaces to and from other systems are accurate and properly controlled.
- 10.7 This involved an examination of current and potential future running costs of the pensions system, written procedures for administration and management of the system including training, access to the system, users' data input, interfaces and reconciliations of data transfer, and contingency planning.
- 10.8 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Jonathan Belford, Chief Officer – Finance, Laura Colliss, Pension Fund Manager, Gary Gray, Operations Manager and Neil Middleton, Systems Manager.

11. FINDINGS AND RECOMMENDATIONS

11.1 Written Procedures

- 11.1.1 Comprehensive written procedures that are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.
- 11.1.2 An online guide is available within the pensions system to all system users and provides comprehensive and clear guidance on system functionality e.g. log in instructions, conducting membership searches, password changes, new start creation, deleting leavers, processing payroll, benefit calculations etc. The system also has a directive 'screen help' functionality, describing the purpose of each system screen, and 'field help', describing what to enter in specific fields.
- 11.1.3 System administration procedures are also available within the Systems team network drive. Procedures were generally comprehensive and clear, however was also noted the 'Add and delete a new user' procedure did not explain what 'Seniority Level (0-9)' applied to what role for setting up a new user, increasing the risk of a new user being granted inappropriate system responsibilities.
- 11.1.4 The Employer Relations Team (ERT), who are responsible for ensuring that i-Connect interfaces are complete and accurate, currently use an i-Connect Monthly Checklist, listing all the tasks, checks and reconciliations that should be completed for each employer, however they do not have written guidance on how to process all the tasks listed on the checklist. The service advised that they were in the process of developing in house guidance. A recommendation has been made for tracking purposes.

Recommendation

a) The service should review the New User written procedures and update as appropriate.

b) Interface procedures describing how to undertake the various interface checklist tasks should be formalised.

Service Response / Action

a) Agreed. The New User Guide will be updated to show that seniority level is a historical feature that was superseded by roles.

b) Agreed. As part of the ERT 2022 work plan the i-Connect checklist and procedures are being review and updated.

Implementation Date

a) July 2022

Responsible Officer

Systems Manager

Grading

Important within audited area

b) December 2022

Employee Relationship Manager

- 11.1.5 The service advised training is desk based with a member of the Systems team training new employees in the basic functionality of the system and colleagues providing further support and explanations for specific role functions thereafter.

11.2 Supply and Maintenance

- 11.2.1 The procurement of the system was covered in Internal Audit AC1827 Pensions System, reported to the Audit, Risk and Scrutiny Committee in June 2018. The same system supplier has been in place since April 2011. The contract extension for system support, maintenance and hosting until 31 December 2027 was approved by Pensions Committee on 1 December 2017. The related contract variation was signed by the Council in March 2018 and the supplier in April 2018; this covered data protection requiring the supplier and its employees to comply with the requirements of the General Data Protection Regulation and the Data Protection Act 2018.
- 11.2.2 The award of recognised cyber security certification can give some assurance that sufficient measures are in place to provide a secure environment. Cyber Essentials is a certification scheme backed by the Government and run by the National Cyber Security Centre; where added, the PLUS indicates that verification has been carried out by an independent body rather than through self-assessment. To receive the award organisations must show their systems have sufficient firewalls, malware control, network security, user access control, and patch management, meaning that fixes for known vulnerabilities are effectively and timeously applied. The system supplier was certified as having Cyber Essentials PLUS status in September 2021.
- 11.2.3 Following a request for access, the Systems team sends an email to the system supplier through their secure web portal to set up a new user on the system. Therefore, license use is controlled by the supplier. There were 38 named users in March 2022.
- 11.2.4 It is a contractual requirement for the system supplier to schedule the installation of appropriate hot fixes, service packs and security patches to servers as needed and to schedule the installation of appropriate core application patches. A timetable for four system releases in 2022 was published in December 2021 by the system supplier. The first system upgrade of 2022 was completed in February 2022 (version 22.1). Comprehensive system administrator guidance was made available for testing purposes. NESPF was one of a group of six pension fund volunteers that formed a Testing Working Party (TWP) to test system functionality following the upgrade on behalf of all system users. It was noted that nine out of 95 tests on the TWP 22.1 testing matrix were not attempted by any of the volunteers – these included tests relating to non-i-Connect users who require manual intervention to ensure accuracy of pension contributions and member account changes, despite one of the Fund’s participating employers falling into this category (First Aberdeen).
- 11.2.5 The service advised the tests are based on suggestions by the supplier and other pension funds and that it is possible the tests were completed and not documented on the testing spreadsheet due to access being unavailable to the testing spreadsheet for all TWP participants. Furthermore, the service advised that the supplier undertakes its own comprehensive testing. However, where it is not clear if tests of system functionality have been completed as required there is an increased risk of system functionality issues leading to inaccurate pension records and payments.

Recommendation

All new system release tests should be completed, and outcomes documented to ensure adequacy of system functionality. The service should implement a continuous review procedure to ensure that these have been carried out and any not can be actioned quickly.

Service Response / Action

Agreed. The Systems Manager will review the TWP process during the Altair 22.3 release scheduled for July/August 2022 working with all teams to create a testing

matrix. The matrix will then be used to document testing for all future releases starting with Altair 22.4 scheduled for October 2022.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2022	Systems Manager	Important within audited area

11.3 System Access and Passwords

11.3.1 To protect confidential information and prevent any fraudulent activity it is important that system access is suitably controlled and protected. Access to the system is granted by the Systems team with access roles aligned to an employee's job role. A recommendation has already been made at 2.1.4 above to formalise 'Seniority Level (0-9)' for new users to avoid inappropriate access such as in relation to system task review responsibilities. Following a request for access the Systems team sends an email to the system supplier through their secure web portal to set up a new user on the system. Where an employee no longer requires access to the system, the Systems team remove the user's login access meaning they can no longer use the system.

11.3.2 New system users are allocated a unique user ID and access to the system is password protected. In line with the NESPF system password policy, reviewed by the Systems team in January 2022, passwords are required to be at least six characters long, have an upper- and a lower-case alphabetic character, number and special character. However, it was noted that this does not comply with the Council's Password Standard, which has longer password requirements for system and application user (8 characters) and longer still for administrator accounts (15 characters). Whilst the National Cyber Security Centre (NCSC) does not define what is a suitable length for a password it recommends passwords are not set too short and the current NESPF password policy indicates an intention to extend the password minimum length requirements.

11.3.3 Accounts are locked after three incorrect password attempts, in line with the NESPF password policy, at which point the Systems team must be contacted to reset the password – this was verified by Internal Audit. Passwords must also be changed every 12 months under the NESPF password policy; this last requirement is contrary to NCSC advice for various reasons including users choosing similar replacement passwords when forced to change their existing password and the fact stolen passwords are usually exploited immediately.

Recommendation

Password requirements should comply with best practice and Council guidance.

Service Response / Action

Agreed. Passwords have been set with a requirement for a minimum length of 8 characters in line with the Council's password requirements for applications user accounts and the requirement to amend password after a set period has been removed.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Systems Manager	Important within audited area

11.3.4 The service advised that due to the fact they manage a relatively small number of licenses (maximum of 40), the associated cost of additional licenses, license use is easily monitored and minimised where possible. This was evident during Internal Audit AC2107 Pensions Payroll when Internal Audit were contacted to clarify if system access was still needed.

- 11.3.5 While it is recognised that there may be a need for a third party to access the system to carry out upgrades or resolve issues for instance, this should be limited and restricted. The system supplier is the only third party that is meant to have access to the system and this must be requested by the supplier and authorised by the service, or the service will contact the supplier when an issue arises. When an issue has been resolved the service is notified by the supplier through a secure portal. The service monitors third party access by reviewing all users' log in, log off and unsuccessful log in attempts; the report the service advised was used for this purpose for April 2022 was provided detailing user access as expected.
- 11.3.6 However, the report used to monitor third party access does not detail user actions, including those of users with privileged access to the system, such as system administrators. Audit logs detailing user actions are instead only reviewed in the event of an investigation into user activity. In the absence of independent review of relevant exceptional system access, such as unusual system access to perform high-risk tasks (e.g. change of bank details) by officers not normally responsible for those tasks, there is a risk of error and fraud.

Recommendation

Exception reporting should be introduced to detect any inappropriate system activity by users including system administrators.

Service Response / Action

Agreed. The Systems team will expand their monthly checks of user access to implement additional checks in relation to high-risk tasks that have been completed on the system.

Implementation Date

December 2022

Responsible Officer

Systems Manager

Grading

Important within audited area

- 11.3.7 The Council's ICT Access Control Policy requires Council systems to operate using the principle of least privilege, which includes a requirement for access to be restricted to only what is needed to fulfil the users' duties. Two (5%) out of 38 officers had both Payroll Officer and Payroll Senior system access, enabling them to both generate and authorise payments. However, the Benefit Administration Manager demonstrated that any user who creates a payment is prevented by the system from authorising that payment, and that this is applicable to all roles and access levels.

11.4 Data Input

- 11.4.1 Almost all member data can be amended manually in the system provided the team member has the appropriate system access. To help prevent errors, data entry fields within the system are set to the relevant format parameter and if data is entered with an incorrect format a warning message will be displayed.
- 11.4.2 Procedures generally require a system of review where data entered or amended affects member benefits and payments. However, segregation of duties is not enforced via workflow in the system, as was identified in Internal Audit report AC2107 Pensions Payroll, when bank changes were identified as being processed without evidence of review. The February 2022 system release (page 6 Altair 22.1 Release Guide) introduced member task definition updates that enable segregation of duties to be enforced in system workflow tasks, by defining tasks, which must be completed by a different user to the user who undertook the previous system task – this could help mitigate this risk and introduce segregation of duties for system tasks where required.

Recommendation

Workflow tasks should be reviewed, and segregation of duties between relevant stages of high-risk tasks should be enforced within the system, such as tasks relating to changes of bank details and benefit calculations.

Service Response / Action

Agreed. Task definition update development in Altair 22.1 will be implemented to deliver segregation of duties for appropriate system tasks.

Implementation Date

December 2022

Responsible Officer

Benefit Administration
Manager

Grading

Important within audited
area

11.5 Interfaces and Reconciliations

11.5.1 I-Connect is a cloud-based data exchange portal that allows participating employers (currently 46) to transfer scheme member level data to NESPF. These submissions occur monthly and include employee and employer pension contributions and employee pensionable pay for the calculation of Career Average Earning (CARE) benefits. Data submitted is uploaded to the respective members' accounts via an interface with the pension system.

11.5.2 Every month the Employer Relationship Team (ERT) reconciles an i-Connect Submission Contributions Summary Report for each participating employer, detailing uploaded and rejected employee and employer pension contributions, to the remittance advice statements for the respective employer, detailing the payments received into NESPF's bank account. The February 2022 reconciliations were completed in a timely manner and on reviewing four reconciliations in detail, the reconciliations were adequately supported. However, it was noted that the reconciliations were not subject to review. In the absence of review there is an increased risk upload failures will not be detected, and member accounts will be misstated.

Recommendation

Interface reconciliations should be subject to review.

Service Response / Action

Agreed. As part of the review of the i-Connect process and checklists (recommendation 2.1.4) the ERT will incorporate additional checks to ensure that the work has been carried out and reconciled. These additional checks will reduce the risk of undetected upload failure or mistakes in manual processing.

Implementation Date

December 2022

Responsible Officer

Employee Relationship
Manager

Grading

Significant within audited
area

11.5.3 Internal Audit reviewed 39 failed February 2022 interface transactions for the same four employers referred to in 2.5.2 above and checked if the respective members' accounts were manually updated with the failed transactions as required by the ERT – in one case (3%) the account had not been updated with the related monthly employer superannuation contribution. The service was notified and has since made the necessary amendment. However, the affected member's pension was unaffected by the failure to amend the month pension contribution adjustment since the member retired in December 2021 and cumulative pension contributions and CARE pay had been amended as required for the calculation of pension benefits.

11.5.4 One employer (First Aberdeen) does not use i-Connect. Instead, data affecting members' pensions is uploaded annually. A sample of 10 members employee and employer contributions from the 2020/21 submission was reviewed and the respective pension system accounts had been updated as expected.

11.6 Business Continuity and Disaster Recovery

11.6.1 The system is backed up by the system supplier in line with the contract with backup tapes held offsite. An incremental backup of scheme member data is performed each day and retained for 4 weeks, full backups of software and scheme member data are performed weekly and retained for 12 weeks, and complete backups of all relevant supplier systems are carried out monthly and retained for 12 months. It is a contractual requirement for the supplier to use all reasonable endeavours to provide a resumption of service from their Altrincham data centre within 48 hours of a disaster affecting the supplier's Redhill data centre. This would involve a recovery from the latest off-site backup media.

11.6.2 Disaster Recovery tests are done annually. The supplier's Altrincham data centre is the designated disaster recovery (DR) site. A successful disaster recovery test was completed by the supplier and the NESPF Systems team in February 2022.

11.6.3 NESPF has a Local Contingency Plan (LCP) which was last reviewed in February 2022. High level explanations of what would be required in the event of a disaster are described, primarily relating to contractual disaster recovery processes and use of archive data in the event of prolonged system disruption.

11.7 Performance monitoring and Reporting

11.7.1 Support and problem resolution is handled through the supplier's Support Desk. The system contract clearly prescribes response and resolution times for system failures by priority level. There were 15 calls outstanding at the time of the audit all at the lowest priority level (P3). The System Manager was aware of the position with these calls and had no concerns.

11.7.2 System tasks are managed via workflow. At the time of review in April 2022, there were 7,103 workflow actions. The service advised that the high number of actions was due to home working and resourcing issues because of COVID-19, however the team are now back working in the office and have recruited new staff who will assist with clearing workflow actions.

11.7.3 1,037 (15%) of the workflow actions related to 'arrears' requiring back dated pay awards to be processed – this must be done before the outcome of the McCloud judgement consultation is formalised in the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations, in October 2022. This relates to age discrimination, due to the transition of local government pension schemes from final salary to Career Average Earnings pension schemes, in order for the service to be able to complete required benefit recalculations in a timely manner. In addition, 2,961 (42%) relate to 'concurrent' and 'join' cases where deferred pension and active pension records require to be aggregated; the service advised this aggregation work must be concluded by May 2023 ahead of the next actuarial revaluation exercise. Failure to process arrears will therefore likely lead to reputational damage should pensioners not receive the correct payments, whilst failure to process aggregation workflow actions would also likely lead to reputational damage should the actuarial revaluation process be disrupted due to pension liabilities being misstated.

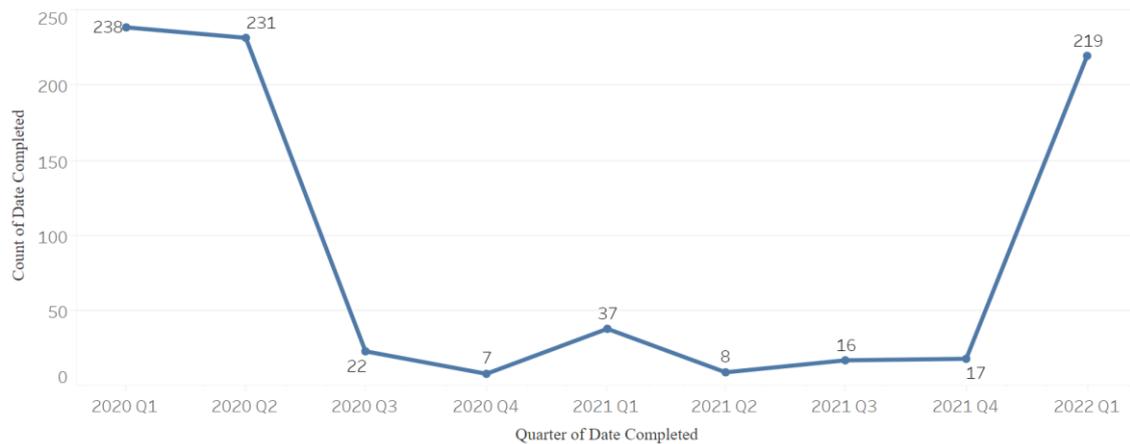
Recommendation

The service should clear workflow actions affecting the ability to address McCloud judgement outcomes and the actuarial revaluation process.

Service Response / Action

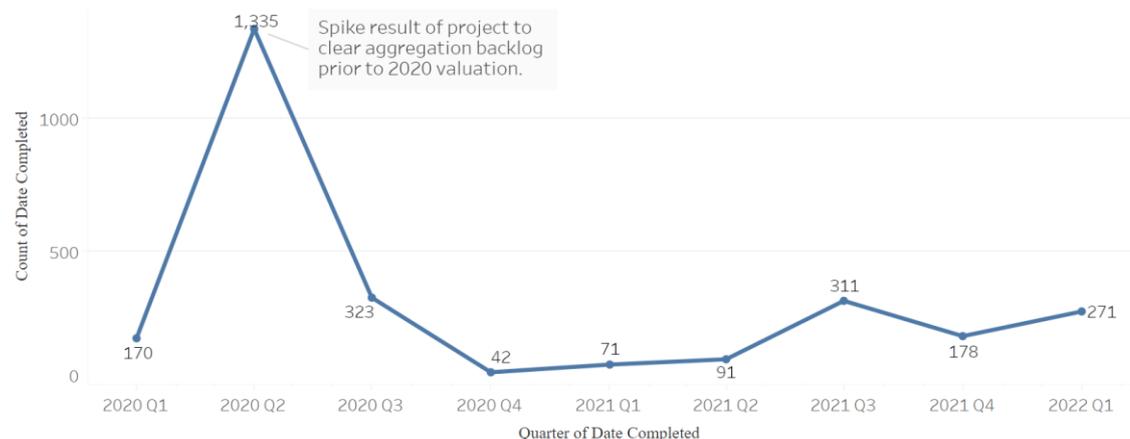
a) Agreed. Based on the draft regulations all eligible members for McCloud with outstanding arrears cases have been identified and are being processed as a priority, this will continue until the backlog is cleared. As at 10 June 2022, 691 outstanding arrears cases exist for members who qualify for McCloud protection. Recalculations cannot commence until final regulations are published in October 2022 and new calculation routines are approved for use in live system environment. Expectation is the final regulations might not come into force until October 2023 to allow funds more time to deliver the remedy however we are looking to recalculate all eligible member benefits prior to April 2023. The graph below shows the impact of the pandemic and recent progress made to clear the arrears backlog.

Arrears cases completed



b) Agreed. For the outstanding aggregation (concurrent and join) cases additional resource recently appointed will provide opportunity for more experienced officers to clear the backlog prior to providing valuation data to the scheme actuary. Aggregation backlogs are not uncommon however it is larger than we would normally expect because of the pandemic. Prior to the 2020 valuation a backlog was successfully cleared by a project team and if at the start of 2023 we have not seen significant improvement then we will adopt the same approach. The graph below shows the impact of the pandemic and recent progress made to clear the aggregation backlog.

Aggregation cases completed



<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) 31 October 2022	Benefit Administration Manager	Significant within audited area
b) 31 May 2023		

11.7.4 The remaining cases largely related to leavers (1,067 – 15%), new retirements (1,076 – 15%), transfers (329 – 5%), and deaths (275 – 4%). The service advised these were business as usual workflow actions, with information outstanding in the majority of cases from external sources (employers, members, next of kin) in order to conclude these.

AUDITORS: J Dale
A Johnston
A McDonald

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.