



Cumbria Shared Internal Audit Service

Internal Audit report for Cumbria Constabulary

Audit of Preparedness for McCloud Remedy

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Audit Report Distribution

For Action:	Michelle Blenkinsopp (Employee Services Technical Officer)
For Information:	Ann Dobinson (Head of Central Services Department) Roger Marshall (Joint Chief Finance Officer)
Audit Committee:	The Joint Audit Committee which is due to be held on 18 th March 2022 will receive the report.

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Executive Summary

Background

This report summarises the findings from the audit of **Preparedness for McCloud Remedy**. This was a planned audit assignment which was undertaken in accordance with the 2021/22 Audit Plan.

In autumn 2019, the Government accepted a High Court ruling that changes to many public sector schemes introduced in 2015, including the Police Pension scheme, were illegal on the grounds that they were discriminatory. This ruling affects all police officers who were in a police pension scheme prior to 2015 including officers who retired or left the organisation over the last five years.

To remedy the ruling, the Constabulary, along with other Police Forces in the UK, needs to prepare for its implementation. Legislation is still being laid before Parliament and until the full details are known there remains some uncertainty. However, deadlines have been set for implementation and given the anticipated size and scale of the work, preparatory arrangements are underway. This review focuses on the arrangements the Constabulary has in place to prepare for the McCloud Remedy in readiness for the Legislation being passed.

Audit Approach

Audit Objectives and Methodology

Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk-based audit approach has been applied which aligns to the five key audit control objectives. Detailed findings and recommendations are set out within the Management Action Plan.

Audit Scope and Limitations

The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Ann Dobinson (Head of Central Services). The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:

- Project planning arrangements in place for the McCloud Remedy
- Governance of the project
- Current and future resourcing of the project

There were no instances whereby the audit work undertaken was impaired by the availability of information.

Assurance Opinion

Each audit review is given an assurance opinion, and this provides Joint Audit Committee and Officers with an independent assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

From the areas examined and tested as part of this audit review, we consider the current controls operating around Preparedness for McCloud Remedy provide **Reasonable Assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

Summary of Audit Findings and Recommendations

Controls were operating effectively in the following areas:

Project planning arrangements

- Planning for the McCloud Remedy has been ongoing since 2020. Whilst a formal plan hasn't been written down (because of the unknowns surrounding the outcome such as the Legislation being delayed) it is clear that the Constabulary has made arrangements for its implementation and continues to prepare in readiness for the legislation being passed, and at the time of our review, they are as prepared for it as they can be. We are informed that the National Police Chief's Council (NPCC) are going to issue a plan for all Forces when they are in a position to do so. This has been discussed, but until Cumbria Constabulary know what the final requirements are they are unable to plan any further.
- A Project Initiation Document (PID) has been prepared by XPS (the Constabulary's pension provider). The PID is the foundation for managing and implementing the McCloud Remedy project on behalf of Cumbria's scheme. At the time of our fieldwork the PID had not been signed as some clarification was being sought by the Constabulary. We were informed that signature of the PID is imminent.
- Data cleansing has taken place on claimant data and against XPS data.
- Some initial work has been carried out on calculations and the Constabulary expect that XPS will provide the data for checking, shortly after the PID is signed. Planning for receipt of the data from XPS has taken place.

Governance

- The Chief Constable, as Scheme manager, has been provided with updates on the McCloud Remedy (for example, the Chief Constable briefing document dated 5th July 2021).
- The Head of Central Services is the Constabulary's nominated lead for the McCloud Remedy.
- Arrangements are in place to ensure that key officers are kept up to date on progress with the McCloud Remedy through the Pensions Challenge (Cumbria Police) Board meetings. All Board meetings held have been attended by the Head of Central Services, Employee Services Technical Officer, Joint Chief Finance Officer, Deputy Chief Finance Officer and an HR Representative. Legal Services and the Federation have attended some Board meetings.
- Finance updates are a standing agenda item at Board meetings.
- The Constabulary is engaged with national networks (National Police Chiefs Council (NPCC) steering group) to ensure that it is up to date with the requirements, is kept aware of when legislation is due to be laid before Parliament and to be able to influence / have

input to the process. The NPCC Steering Group includes representatives from the Home Office and Force Remedy Leads. In addition to the formal meetings there are informal sessions with the NPCC lead where specific topics are chosen as an area of focus. Engagement on a national level put the Constabulary in a sound position to implement the Remedy.

- The McCloud Remedy is included in the pensions risk register. The Pensions provider (XPS) RAID log includes a risk tab.
- An Immediate Detriment Policy is in place and procedures for CSD to follow for Immediate Detriment have been documented (Immediate detriment refers to the cases of members who have already retired or who will do so in the near future). Decisions regarding policy were taken to and agreed by Workforce Board in November 2021.
- In line with NPCC requirements, a dedicated pensions challenge intranet page was set up in July 2020, along with a dedicated email address for the pensions challenge.
- The Employee Services Technical Officer is part of the NPCC Communications Steering Group for McCloud Remedy.

Current and future resourcing

- Resource has been increased to accommodate work on the McCloud Remedy. A dedicated 0.81 FTE (full time equivalent) resource was allocated for a 6 month period to December 2020 to co-ordinate and manage the work. This was increased to a 1 FTE permanent post in March 2021.
- At the time of concluding the audit fieldwork, the Employee Services Technical Officer considered that further additional resource would not be required to move officers from the legacy pension scheme to the reformed scheme as it could be managed within existing workloads. Whilst the full resources required to deliver the remedy aren't yet known, discussions with the Employee Services Technical Officer indicated that this had been discussed with the Head of Central Services and is under constant review. We were informed that, should additional resource be required, arrangements are in place to escalate this to ensure that the timescales and requirements within legislation can be met.
- The financial implications for the Constabulary aren't yet known but the Joint Chief Finance Officer and Head of Central Services attend the North West region pensions board.

The recommendations arising from this review can be summarised as follows:

High	Medium	Advisory	Total
0	1	0	1

The three levels of audit recommendation are defined in [Appendix A](#).

Areas for development: Improvements in the following areas are necessary in order to strengthen existing control arrangements:

High Priority Issues: None identified

Medium Priority Issues: The documented governance arrangements for the McCloud Remedy do not correctly reflect the intended / actual arrangements in place.

Advisory issues: None identified

Joint Chief Finance Officer Comments

I am pleased that the internal audit of the preparedness for implementing the McCloud Remedy has judged that the Constabulary has put in place proportionate arrangements, governance and resources for implementing the McCloud remedy, in what is an inherently difficult area, due to the uncertainties over the details of the remedy. We will continue to review the situation to ensure that the implementation process proceeds as smoothly as possible. The recommendation to ensure that the terms of reference accurately reflect the reality the role of the Pension Board is noted and will be acted upon as described in the management action.

Management Action Plan

Medium

Audit finding	Management response
<p>Governance</p> <p>A Pensions Challenge (Cumbria Police) Board has been established. We are informed that the purpose of the Board is to keep key officers in the loop on where the Constabulary are with the McCloud Remedy rather than the Board members working on the remedy. The Board is attended by the Head of Central Services, Employee Services Technical Officer, Joint Chief Finance Officer, Deputy Chief Finance Officer and an HR Representative. Legal Services and the Federation have attended some Board meetings. We are advised that the Board is not a decision making body.</p> <p>A Pension Challenge Project Team is in place and Terms of Reference (ToR) have been prepared and approved by the Board. The ToR state “The purpose of the group is to update the Force on developments in respect of the McCloud Employee Tribunal decision, identify key issues, act as a communication point and provide guidance to support local implementation of remedy (covering prioritisation, resource planning and managing data)”.</p> <p>The ToR include the membership of the Project Team. Review of attendance at the Pensions Challenge Board shows the same members attending as per the ToR of the Project Team.</p> <p>The governance arrangements within the ToR state “A monthly Pension Remedy Working Group will take place chaired by the Head of Central Services. Actions will be noted by one of the attendees”. We were informed that currently the active Working Group is the Head of Central Services and Employee Services Technical Officer as others are waiting for national progress to be made before they can undertake any work they are required to do.</p> <p>The Terms of Reference for the Cumbria Board were discussed at the most recent Board meeting held on 24th November 2021 and the notes state that the “Board were asked to consider if we should amend the terms of reference for this board to include all pension</p>	<p>Agreed management action</p> <p>A new Terms of Reference for the Pensions Challenge (Cumbria Police) Board will be created which clearly defines its role, expanding to cover all pensions related matters. This Board TOR will reference the role of the Project Team which will provide improved governance and clarity around roles and responsibilities of each group.</p>

related matters and not specifically the pension challenge. This was thought to be a good idea and also invite Mrs Skeer (Scheme Manager)". There appears to be a lack of clarity over whether the ToR referred to here relate to the Pensions Challenge (Cumbria Police) Board or the Pension Challenge Project Team.

The frequency of Board meetings has been less regular than anticipated, with some scheduled meetings being cancelled as there hasn't been any progress to report (for example, no meetings were held between 7th April 2021 and 24th November 2021 for the reasons outlined). This is not an unreasonable approach.

Although there are arrangements in place in relation to governance for the McCloud Remedy the way these have been documented i.e. ToR does not properly reflect the actual arrangements in place and require review.

Recommendation 1:

The documented governance arrangements for the McCloud Remedy should be reviewed to ensure that they correctly reflect the intended / actual arrangements in place.

Risk exposure if not addressed:

- Roles and responsibilities for governance are unclear

Responsible manager for implementing:
Ann Dobinson, Head of Central Services

Date to be implemented: 1 April 2022

Appendix A

Audit Assurance Opinions

There are four levels of assurance used, these are defined as follows:

Assurance Level	Definition
Substantial	Sound frameworks of governance, risk management and internal control are in place and are operating effectively. Recommendations, if any, will typically be no greater than advisory.
Reasonable	Frameworks of governance, risk management and internal control are generally sound with some opportunities to further develop the frameworks or compliance with them. Recommendations will typically be no greater than medium priority.
Partial	Weaknesses in the frameworks of governance, risk management and/or internal control have been identified or there are areas of non-compliance with the established control framework which place the achievement of system / service objectives at risk. Recommendations will typically include high and medium priority issues.
Limited	There are significant gaps in the governance, risk management and/or internal control frameworks or there are major lapses in compliance with the control framework that place the achievement of system / service objectives at significant risk. Recommendations will include high priority issues.

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below:

Grading	Definition
High	A recommendation to address a significant gap in governance, risk management or internal control frameworks or to address significant non-compliance with controls in place.
Medium	A recommendation to address a gap in governance, risk management or internal control frameworks or to address aspects of non-compliance with controls in place.
Advisory	A recommendation to further strengthen governance, risk management or internal control frameworks or to improve compliance with existing controls.