



Independent Reporting Accountants' agreed-upon procedures report in connection with Teachers' Pensions EOYC return for the year ended 31 March 2019

To: Teachers' Pensions, Unit 11b, Lingfield Point, Darlington, DL1 1AX

Cumbria County Council, for the attention of the Section 151 Officer

Cumbria County Council – Reporting on agreed-upon procedures in respect of Teachers' Pensions End of Year Certificate for the year ended 31 March 2019

This report has been produced in accordance with the terms of our engagement letter dated 30 August 2019 ('Engagement Letter') and in accordance with the International Standard on Related Services 4400 'Engagements to Perform Agreed-Upon Procedures Regarding Financial Information' as published by International Auditing and Assurance Standards Board (IAASB).

The procedures were performed solely for the purpose of assisting the officers of Cumbria County Council (the 'Employer') fulfil their responsibilities, under the Teachers' Pensions Regulations 2010 (SI 2010/990) and The Teachers' Pension Scheme Regulations 2014 (SI 2014/512), for preparing the End of Year Certificate (EOYC) for the year end 31 March 2019. The EOYC must be accompanied by a Reporting accountants' report prepared following the performance of procedures set out in the guidance note 'Reporting Accountants Guidance TP05 FY18/19 Version 1' issued by Teachers' Pensions (the 'guidance'). We attach, a copy at Appendix 1 of the EOYC prepared and submitted by management. Where appropriate, this copy identifies errors corrected by management. Management are responsible for the preparation and submission of the EOYC and for all corrections.

Report of factual findings and exceptions

We have performed our work as set out in Appendix 2 to this report. The nature and magnitude of the exceptions are described alongside the relevant procedure. We also report management's explanations for any exceptions identified. It is important to note that, our work is not able to provide any information or assurance about other cases that may be in error in 2018/19 as a result of the issues identified below.

Procedure 3 – breakdown of contributions to percentage rate of contributory salary

We noted some exceptions in the performance of procedure 3 – Breakdown of contributions in each tier casts to the percentage rate of the contributory salary. We have identified in the tables below the following minor variances between the EOYC and the calculated values.

1) Employee Contributions £6.97

Tier	Contribution rate	Contributory Salary	Teachers Contributions (Rate Calculation)	Teachers Contributions (EOYC form)	Variance
1	7.40%	£20,884,895.77	£1,545,482.29	£1,545,473.69	£8.60
2	8.60%	£22,003,862.96	£1,892,332.21	£1,892,337.90	-£5.69
3	9.60%	£25,804,089.57	£2,477,192.60	£2,477,190.86	£1.74
4	10.20%	£20,749,669.25	£2,116,466.26	£2,116,464.36	£1.90
5	11.30%	£7,511,367.54	£848,784.53	£848,783.98	£0.55
6	11.70%	£1,099,579.69	£128,650.82	£128,650.96	-£0.14
Totals		£98,053,464.78	£9,008,908.72	£9,008,901.75	£6.97

2) Employer's Contributions -£6.71

Tier	Contribution rate	Contributory Salary	Employers Contributions (Rate Calculation)	Employers Contributions (EOYC form)	Variance
1	7.40%	£20,884,895.77	£3,441,830.82	£3,441,826.74	£4.08
2	8.60%	£22,003,862.96	£3,626,236.62	£3,626,243.29	-£6.67
3	9.60%	£25,804,089.57	£4,252,513.96	£4,252,517.39	-£3.43
4	10.20%	£20,749,669.25	£3,419,545.49	£3,419,545.27	£0.22
5	11.30%	£7,511,367.54	£1,237,873.37	£1,237,874.27	-£0.90
6	11.70%	£1,099,579.69	£181,210.73	£181,210.75	-£0.02
Totals		£98,053,464.78	£16,159,211.00	£16,159,217.71	-£6.71

The EOYC has not been adjusted for the variances noted above.

Procedure 6 – Checks to payroll records

As a result of a query on a case, it was determined that the employee's and employers' calculations had been deducted correctly, so an error was not noted in the calculations. However, it was noted that the way the member had been recorded on the summary listing to compile the EOYC form was incorrect. There was an error in the report in that any teacher who had more than one banding during the 2018/19 year were only identified in the last banding they were in at year-end, instead of being shown in each banding as appropriate during the year. The Authority has revised the report to amend for this error for all teachers, and it has reflected all of these numerous changes in the final EOYC. This error has resulted in adjustments to all of the Section 3 figures relating to contributory salary, teacher's contributions, employer's contributions, in every cell of the tier information including the totals cells.

We noted some exceptions in the performance of procedure 6, from a sample of 60 teachers paid by the employer payroll and (where available) third party payrolls. We identified 3 errors out of our sample of 60 teachers, from the one month selected for testing. The nature and magnitude of the exceptions are described in more detail alongside the relevant procedure within Appendix 2. We also report management's explanations for these exceptions identified. The EOYC for 2018/19 has been adjusted for the 1 overpayment error identified, for the month selected for testing. It is our

understanding the Authority for the 1 underpayment error identified, will be reflected within the 2019/20 EOYC when the appropriate deductions have been taken from the teachers' pay.

Procedure 7 – Sample checks on career average flexibilities, additional pension payments and elections

We have noted some exceptions in the performance of procedure 7, from a sample of 10 teachers with career average flexibilities payments included in box 2a(i). From the initial sample of 2 cases, 1 error was found. The total population of 10 cases for career average flexibilities were tested, and one further error was noted. The nature and magnitude of the exceptions are described in more detail alongside the relevant procedure within Appendix 2. We also report management's explanations for any exceptions identified. The EOYC for 2018/19 has been adjusted for the 2 overpayments identified, for the whole of the year affected.

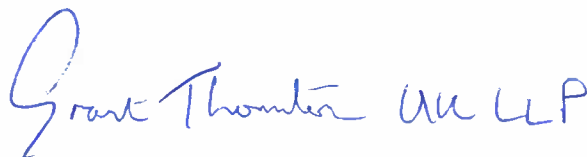
Purpose of this report and agreed upon procedures

We have not subjected the information contained in our report or the appendices (including explanations and representations received from the Responsible Finance Officer and reported to you) to checking or verification procedures except to the extent expressly stated. This engagement does not constitute an audit or a review and, as such, no assurance is expressed. Had we performed additional procedures, an audit or a review, other matters might have come to light that would have been reported.

You were responsible for determining whether the agreed-upon procedures we performed were sufficient for your purposes and the purposes of Teachers' Pensions having due regard to the guidance issued by TP. We cannot, and do not, make any representations regarding the sufficiency of these procedures for your purposes or for the purposes of Teachers' Pensions.

Our report is prepared solely for the confidential use of Cumbria County Council and for Teachers' Pensions. Our report must not be used for any purpose other than for which it was prepared or be reproduced or referred to in any other document or made available to any third party without the written permission of Grant Thornton UK LLP. We accept no liability to any other party who is shown or gains access to this report.

Our audit work as the statutory auditors of the annual financial statements of Cumbria County Council is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. This engagement will not be treated as having any effect on our separate duties and responsibilities as Cumbria County Council's external auditors. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Cumbria County Council and Cumbria County Council's members as a body, for our audit work on the statutory financial statements, for our audit reports, or for the opinions we have formed.



Grant Thornton UK LLP
Glasgow

11th December 2019

Appendix 2 – AGREED UPON PROCEDURES AND FINDINGS MATRIX

This is an illustrative schedule to attach to the report. It is the Reporting accountants' responsibility to complete this appendix, checking against the actual tests completed. In preparing this appendix, Reporting accountants need only provide the latter two columns if there are exceptions to report. Where no exceptions were identified it should be noted as "No exceptions noted".

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors) and formal management representations where appropriate to be attached.
1	<p>We have checked that all relevant parts of the return have been completed (in pounds and pence) and that the employer's certificate bears the signature of the Responsible Finance Officer</p>	<p>No exceptions noted</p>	<p>None</p>
2	<p>We have checked that all arithmetic on the return is correct including:</p> <ul style="list-style-type: none"> (a) that the totals in section 3 are arithmetically correct; (b) that the total in section 3 column 1 agrees with the entry in section 1 (box 1); (c) that the total in section 3 column 2 	<p>No exceptions noted</p>	<p>None</p>

	<p>agrees with the entry in box 2a(iv); that the total in section 3 column 3 agrees with the entry in box 2a(v); and</p> <p>(e) that the overall balance in box 2e has been calculated correctly?</p>		
3	<p>We have checked that the breakdown of contributions in each tier casts to the percentage rate of the contributory salary</p>	<p>We have identified some minor variances for Teacher's Contributions and Employer's Contributions between the actual values in the claim and the expected value of the tiers based on the percentage rate of the contributory salary. These have been detailed in the tables included in our 'Independent Reporting Accountant's agreed-upon Procedures report in connection with Teacher's Pensions EOYC return for the year ended 31 March 2019'. The EOYC has not been adjusted for the variances identified.</p>	<p>The expected value referred to is a % applied to the total annual value of contributions for all employees. This figure is then compared to the sum of each individual monthly contribution made by each employee.</p> <p>Individual contributions are calculated on a monthly basis and rounded to the nearest penny when contributions are made. These values, numbering in the thousands of individual figures, are then aggregated to arrive at the annual total. The result being that the roundings are also aggregated.</p> <p>The difference between the expected value and the actual value is therefore likely to relate to the difference in calculation methods.</p> <p>As the amounts are not material and within acceptable tolerable levels, the variances being minor roundings only at £6.97 in the employee's contributions and -£6.71 in the employer's contributions, the EOYC has not been amended.</p>
4	<p>We have checked that entries on the return and supporting working papers agree with the employer's payroll records, including amendments, and, where necessary, information from other payroll providers, for the return period</p>	<p>No exceptions noted</p>	<p>None</p>

5	<p>We have checked that contributions paid in box 2d provided by TP agree with the employer's accounts.</p>	<p>No exception noted</p>	<p>None</p>
6	<p>For a sample of 60 teachers paid by the employer payroll and (where available) third party payrolls, we have checked that:</p> <ul style="list-style-type: none"> (a) the status of the teacher to the employer portal; (b) contributory salaries have been agreed to payroll records and included in section 3 column 1 in the correct tier; (c) teachers' contributions have been deducted at the correct tier rate and included in section 3 column 2 in the correct tier; and (d) employer's contributions have been calculated correctly and included in section 3 column 3. 	<p>There were 3 errors found in the 60 cases reviewed, from the one month selected for testing. Our work is not able to provide any information or assurance about other cases that may be in error in 2018/19 as a result of these issues identified below, as our sampling is restricted to 60 cases.</p> <p>(1) 1 error related to the incorrect percentage calculation used for both the employees' and employers' calculations. Although the member was in Tier 1 it is at a lower rate than 7.4% and a lower rate than 16.48% has been applied. The error resulted in an underpayment of the employees' contributions of £5.02, and employers' contributions of £11.16 in Tier 1. The EOYC has not been adjusted for the underpayments identified since the deductions are yet to be made from the teachers' pay, and the Authority has indicated that this will be rectified in 2019/20.</p>	<p>In all 3 cases it appears that the correct contributions were deducted from the employees with the errors relating to how these contributions were reported on either the employees payslip, the monthly pensions return from Capita or the EOYC information from Capita.</p> <p>The payslip sampled during the review was for an employee who had 2 roles, one of which changed on the 30th April 2018. Whilst the April 2018 payslip included all of the salary relating to April it did not show the deduction of pension contributions in respect of the role that changed on 30th April 2018.</p> <p>According to Capita's current payroll system the deductions were made correctly and Capita have provided a screenshot of this information on their payroll system.</p> <p>The payslip therefore did not provide correct disclosure of the contributions made.</p> <p>In addition these contributions were not included on the monthly returns, or the EOYC, and consequently not paid over to Teachers Pensions resulting in an underpayment of employee's contributions of £5.02, and employers' contributions of £11.16.</p> <p>On that basis the EOYC has not been adjusted and the error will be rectified in 2019/20.</p>

(2) 1 error related to the calculation of employers' contributions as it incorrectly included a contribution for the Teaching Assistant element of pay, which does not form part of the teachers' pension scheme. The member had a teaching and teaching assistant post, and the overstatement relates to the teaching assistant post only. The overstatement for the month tested was £117.91. The Authority has informed us that this is a disclosure error in the payslip only. The correct deductions were taken from the employee and then fed into the EOYC which meant no adjustments were required.

The payslip sampled was for December 2018 and the employee had 2 jobs, a Teacher paid £984.38 and a Teaching Assistant paid £553.57, total £1,537.95.

The payslip showed that the total Employers pension deducted was £280.14 and that this amount was all in respect of the Teacher's Pension Scheme, this was an error on the payslip.

The Teachers Pensions monthly return for December from Capita has been checked and this showed the Employers amount deducted to be the correct amount of £162.23.

Furthermore the financial ledger has been checked and this also confirms that the Employers contributions for December were £162.23 for the Teachers Scheme and £117.91 for the Local Government Scheme.

The correct Teachers Employers contribution was therefore made but the disclosure in the payslip was incorrect by £117.91.

As the error was only on the payslip and the correct figure used in both the original and revised EOYC no adjustment was required.

For completeness the difference of £117.91 identified relates to the correct employers rate for the Teaching Assistant post. Whilst this was incorrectly shown on the payslip as relating to the Teachers Scheme it was not included on the monthly Pensions Returns or the EOYC as a Teachers Scheme Contribution.

(3) 1 error related to the inclusion of a Teaching Assistant in the EOYC where the employees' and employers' contributions were both incorrectly included and therefore overstated. The member only had a Teaching Assistant post in the month of testing. The overstatement for the month was £190.15 for the employee's contributions and £423.46 for the employers' contributions in Tier 1. This has been adjusted in the final EOYC by the Authority; this being the 1 case only in the month we have tested.

(4) As a result of a query on a case, it was determined that the employee's and employers' calculations had been deducted correctly, so an error was not noted in the calculations. However, it was noted that the way the member had been recorded on the summary listing to compile the EOYC form was incorrect. There was an error in the report in that any teacher who had more than one banding during the 2018/19 year were only identified in the last banding they were in at year-end, instead of being shown in each banding as appropriate during the year. The Authority has revised the report to amend for this error for all teachers, and it has reflected all of these numerous changes in the final EOYC. This error has resulted in adjustments to all of the Section 3 figures relating to contributory salary, teacher's contributions, employer's contributions, in every cell of the tier information including the totals cells. In addition to the amendments noted above, the career average flexible payments figure was also impacted as a result of the revised payroll report, with £1,086.15 added to cell Section 2a(i) on the final EOYC.

Our work has confirmed that the amendments made in the final EOYC agree to the Authority's revised payroll records.

Correct Local Government Pension Scheme deductions were made however the EOYC information provided by Capita included this non-teaching post in error.

This has been adjusted in the final EOYC.

As part of the 2019/20 assurance process an EOYC will be requested based on data up to 31st December 2019 to allow more forensic testing and checking of the first 9 months of data. This will identify errors in the data provided and allow time for these to be corrected prior to the Independent Review taking place.

This issue arose due to the information supplied by Capita being incorrect following the implementation of their new payroll system. Individual teachers' contributions were only shown against the last Tier they were in rather than contributions being split across each applicable Tier.

A revised EOYC has been prepared to correct this error.

The aforementioned Quarter 3 trial run of the EOYC will ensure similar errors are identified well in advance of the 2019/20 year end.

Furthermore as a result of a new Council payroll framework being implemented for Schools the service specification will include the instruction for providers to inform the Council in advance of significant systems changes so that appropriate testing can take place during implementation in addition to the Quarter 3 check.

<p>7</p> <p>For a sample of 10 teachers who fall into one of the following categories we have checked that:</p>	<p>(a) career average flexibilities payments have been deducted correctly and included in box 2a(i);</p> <p>(b) additional pension payments have been deducted correctly and included in box 2a(ii);</p> <p>(c) additional contributions have been deducted correctly and included in box 2a(iii);</p> <p>(d) deductions and interest for teachers with EFFE elections are calculated correctly and included in box 2b(i)</p> <p>(e) pension contributions have been deducted correctly and included in box 2b(ii)</p> <p>(f) TR22 contributions have been deducted correctly and included in box 2b(iii)</p>	<p>A random sample of 2 cases were tested from the career average flexibility payments population. An error was found in 1 case relating to the employer not having a confirmation letter from TP confirming the employee has elected this flexibility. The full population of 8 further cases were tested to confirm the employer had a confirmation letter from TP. All the employee's elections were found and therefore the payments had been deducted correctly. However, one additional error was identified from the additional testing, as outlined below.</p> <p>Therefore 2 errors were noted in the full population of 10 cases.</p> <p>In both cases the teacher was being deducted career average flexibilities payments in relation to the purchase of faster accruals. As per the guidance, an election for faster accruals must be made before the start of the financial year (i.e. 1 April) in which it takes effect and it only applies for the one year. A new election needs to be made every scheme year and each election starts on 1 April and ends on the following 31 March. The employer could not provide a confirmation letter from TP for either of these 2 cases and confirmed deductions for these flexibilities had incorrectly been continued from the previous year.</p> <p>Therefore deductions should not have been made, and the deductions should have stopped at 31 March 2018. Cell 2a(i) was overstated by £4,990.67 for the 2 errors identified. The EOYC was amended by the Authority for both cases identified.</p> <p>As identified under Test 6 (5) above, a further amendment was made to cell Section 2a(i) by the Authority in relation to the correction of £1,086.15.</p>	<p>With regards to the 2 cases where contributions continued to be deducted in error discussions with Capita payroll staff have indicated that this was the result of end dates for additional contributions not being transferred as part of the data transfer when Capita moved from one payroll system to another. As the end dates were not migrated the contributions continued.</p> <p>End dates have now been input against all additional contribution records. Furthermore to provide additional assurance a check will be made for all the career average flexibility payments cases as part of the 2019/20 Quarter 3 review to ensure confirmation letters have been received.</p> <p>In future years this check will be undertaken in May once the April returns have been received.</p> <p>Furthermore as stated above as a result of a new Council payroll framework being implemented for Schools the service specification will include the instruction for providers to inform the Council in advance of significant systems changes so that appropriate testing can take place during implementation in addition to additional regular checks in May and at Quarter 3.</p>
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8	We have checked that all short term pension payments made by the employer in box 2c(i) for teachers who have died before February 2016 agree to correspondence from Teachers' Pensions	No exceptions noted, the cell in the EOYC is nil.	None
9	We have checked 10 prior year refunds in box 2c(ii) to correspondence from Teachers' Pensions	No exceptions noted	None
10	For all management explanations related to the exceptions and errors noted, we have obtained representations from the Responsible Finance Officer.	No exceptions noted	None