

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
5 May 2022

PENSION FUND – TPR CODE OF PRACTICE 14 REVIEW

Purpose of the Report

1. This report updates the Board on the findings of an internal review of the Wiltshire Pension Fund's compliance with the Pension Regulator's Code of Practice 14 for the Fund year 2021-22.

Background

2. The 2021-22 review was undertaken in two stages. Firstly, a self-assessment by officers covering the Fund's compliance with the Pension Regulator's Code of Practice 14, in relation to the areas of internal controls, governance, administration & resolving issues based on an independent questionnaire originally provided by Aon Consulting. Secondly, by the completion of random sample testing of 10% of the officer responses based on a recommendation made by the South-West Audit Partnership (SWAP) in 2019 that a separate evidence-based review of officer responses should take place.
3. The results of the 2021-22 self-assessment highlighted a reduction in the Fund's compliance with the Code of Practice. In 2020-21 the number of risks requiring improvement stood at one, however this has now increased to eight.
4. In consideration of the two-stage process outlined in paragraph 2 the "Consideration for the Board" section below has also been split into two parts. Firstly, a summary of the self-assessment for 2021-22 & secondly a summary detailing the sample testing undertaken.

Considerations for the Board

Self-assessment analysis

5. The questionnaire posed 83 questions covering all areas of the Fund's internal controls & the answers to almost all the areas reviewed were that the Fund was found to be adequately controlled and well managed.
6. However, eight areas have been identified as requiring improvement in 2021-22. The notable areas falling below the required standard are consistent with those reflected in March 2022 SWAP audit. These include, data retention, systems access & contribution reconciliation. In addition, and in light of the Board's observation concerning breach reporting made at their meeting on 17 February 2022 (Minute 82), the Fund's breach policy has also been recorded as falling below the required standard. A further observation was also made in connection with the low regularity of contract management reviews, both externally and internally, highlighted again by the Board's risk register recommendation **PEN030 – Failure to procure & contract manage service providers appropriately**. In addition to the seven worsening risks identified, one risk relating to backlogs had made no significant progress during the 2021-22 scheme year.
7. In conjunction with the Fund's new business plan approved by the Pension Fund Committee on 5 April 2022, which incorporated the findings made by the SWAP audit

report, an action plan has been prepared by officers to address the areas falling below the required standard for compliance. This new business plan also included approval of an £800k budget within the Fund's overall 2022-23 budget to outsource the management of the Fund's backlogs.

Independent Sample Testing

8. The arrangements by which the sample testing processes were completed remained consistent with previous testing and was in line with SWAP's 2019 recommendations. As part of this testing, no question tested last year was included within this year's review. To complete the testing the Governance & Performance Manager sought to independently evidence the responses made & then detail the supporting evidence in the table below.

| Sample Risks reviewed | | | |
|------------------------------|--|---|---|
| Risk No. | Description of risk | Response | Evidence |
| C8 | Does the Board's agenda have a conflict of interest as a standing item? | Yes | Published meeting agendas reviewed |
| E8 | Are internal controls reflected in 3 rd party contracts and are the controls adequately reported? | The management of the Fund and the Council's procurement dept. ensure internal controls are reflected. However, evidence of regular reviews of those controls being followed are not clear. | Evidence is not present that a regular process of contract management reviews is taking place. |
| F6 | Are records retained for as long as they are needed? | A data retention strategy is in place and trial testing of data minimisation and deletion has occurred. Record retention will be actioned in March 2022. | Whilst an approved strategy has been in place for two years, no actioning of that strategy had taken place until highlighted by the recent SWAP report. Evidence of actual data minimisations and deletions remain outstanding. |
| F11 | Do the data processes meet with the requirements of GDPR 2016 and the data protection principles? | A system access policy is in place with new user profiles created within the admin system. Reviewed a minimum of twice a year. | Generally, processes are in place. Regarding system access, it is recognised that a policy is in place, however the current policy appears to have had the reporting requirements removed, therefore evidence of review is not available. |
| H13 | Does the Administering Authority use a tracing service? | The Fund uses Target Professional Services as its tracing agent. | A current contract with Target Professional Services is present. |
| I6 | Does the Administering Authority notify and advertise the procedure appropriately? <i>Procedures being new joiners and IDRP</i> | A new starter pack provides a brief guide to new members. The website also provides guidance on the IDRP process. | In support of the Scheme Employers the Fund's website provides all essential information to its members. |

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| J2 | Are appropriate procedures in place to meet their legal obligations for identifying and assessing breaches? | Yes. | Yes, the policy was last reviewed by the Board in February 2022 and will be reviewed again after the new Single Code of Practice has been published. A summary of the logged breaches is reported to the Board annually. |
| J3 | Are breaches being recorded in accordance with the agreed procedures? | Yes. | Yes, whilst a policy is in place both officers and the Board recognise that the policy requires review to bring it into line with preferred practice. |

Conclusions

Self-assessment analysis

9. Whilst it is recognised that there has been a decrease in the number of areas being fully compliant, it should also be recognised that good progress has been made by Fund's officers in most areas of compliance, particularly around the development of the Fund's digital & automated platforms. Furthermore, since the publication of the recent SWAP audit, it is noteworthy to comment that action has already been taken to address areas of non-compliance. For information the specific areas identified as being non-compliant are listed below.

New areas of non-compliance

- a) E8 – Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls? (Ref: PEN030)
- b) F6 – Are records retained for as long as they are needed? (Ref: SWAP finding H)
- c) F11 – Do the Administering Authority's member data processes meet the requirements of GDPR 2016 and the data protection principles? (Ref: SWAP finding H & I)
- d) G6 – Does the Fund maintain a record of any investigations and communications with employers? (Ref: SWAP finding B)
- e) G8 – Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period? (Ref: SWAP finding B)
- f) J2 – Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and assessing breaches? (Ref: Minute 82)
- g) J3 – Are breaches being recorded in accordance with the agreed procedures? (Ref: Minute 82)

The area of compliance which remains unchanged

- a) H9 – Is all other information provided in accordance with the legal timescales? (Ref: SWAP finding H)

Independent Sample Testing

10. The evidence gathered by the sample testing identified one variance between the responses provided by the Fund's management team & the independent evidence reviewed (F11 – Data Protection processes). The variance was in connection with the

Fund's system access control policy & is viewed as a timing of recording and interpretation variance. Officers believe that a review of the Fund's system access policy should take place to ensure that appropriate reporting is provided to evidence reviews. Officers were satisfied that all other responses reported by the management represent a true & fair view of the Fund's compliance with the Pension Regulator's Code of Practice 14.

Environmental Impact

11. There is no environmental impact from this report.

Financial Considerations

12. There are no immediate financial considerations resulting from the reporting of the Fund's compliance with tPR Code of Practice 14.

Risk Assessment

13. Any risks reflected in this report shall be reflected in the Risk Register.

Legal Implications

14. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no implications at this time.

Proposals

16. The Board is asked to note the internal self-assessment undertaken. In line with the SWAP audit report recommendations, officers will ensure that all non-compliant areas identified will be included within a Fund action plan for improvement.

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