Wiltshire Council
Where everybody matters

Internal Audit

Final Report

Department of Resources

Wiltshire Pension Fund

May 2011

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EXECUTIVE SUMMARY

Overview

The last Internal Audit report on the Wiltshire Pension Fund (WPF) was completed before the introduction of SAP in 2009. Because there have been significant changes during the intervening period, the current report arises from a wide-ranging audit, encompassing a very broad range of pension fund activities and controls. This is expected to facilitate an ongoing involvement of internal audit with the WPF.

The audit approach has been based on the publication "Good practice guidance: gaining assurance over the governance and administration of pension funds, and pension fund investment management – a guide for the internal auditor" issued by the Society of County Treasurers.   A major focus of the audit was therefore to confirm that an effective control framework exists to provide the necessary sources of assurance over the governance and administration of the fund, and investment management.

The audit has included review of the various policies and procedures carried out directly by the Pensions Team and the SAP HR/Payroll Team to provide an overview of the controls over pensions throughout the Council as the Administering Authority. The issues identified in this report as presenting higher risks largely concern interface issues with SAP-related processes and the overall opinion takes account of this wider context within which the WPF operates.

Audit Opinion

The Internal Audit opinion for the Wiltshire Pension Fund is **Substantial Assurance** – Whilst there is a basically sound system of control, there are weaknesses which may put some of the service objectives at risk.

The Action Plan on page 18 has been proposed by management to ensure that risk management strategies are put in place to avoid or reduce the identified risks, and to ensure that any residual risks are appropriately managed to reduce any impact or likelihood of these risks materialising. Frequent monitoring of the management of identified risks is essential. Our risk ratings are based on the level of risk when viewed from a service perspective, and are not intended to indicate that these ratings would necessarily apply at a corporate level.

High Risk Issues (as risk-rated by Internal Audit)

No High Level Risks have been identified as a result of this audit

Medium Risk Issues (as risk-rated by Internal Audit)

Risk	Action Proposed by Management	Profile Ref
Records in Altair and SAP may be, or become, inconsistent due to the lack of a fully functional regular and routine mechanism for exchanging new information between the two systems and updating each appropriately.	The flow of data between SAP payroll to the Pension Fund has been problematic since the implementation of SAP when it was envisaged that bespoke reporting could provide uploaded direct into Altair. Certain reports are being provided but issues remain with the data. A couple of reports in relation to unpaid and maternity leave are still to be provided since SAP went live which may lead to a backlog of cases. Work continues with Wiltshire SST Payroll to ensure these reports are provided and are fit for purpose on a monthly basis.	5
There does not seem to be a planned procedure or timetable for replicating the reconciliation between SAP and Altair once the current exercise has been completed.	The Pension Fund is currently undertaking a full reconciliation of all members' details. Once this is completed quarterly checks will be done on members and the overall high level values.	6
The lack of reconciliation between SAP pensions payroll and SAP general ledger increases the risk that errors will go unnoticed and that ultimately overpayments may prove irrecoverable.	Pensions are keen to undertake regular reconciliations between Pensions Payroll and the GL. This depends on the availability of SAP pension payroll reports.	11

Eight low risk issues have also been identified. These are discussed in the Audit Findings section and Action Plan included in the body of this report.

Risk Profile

The following profile shows management's assessment of the likelihood and impact of the risks identified during the audit.

The numbers stated on the risk map refer to the risk references identified above, as well as to any low level risks detailed in the body of the report.

Impact		Rare	Unlikely	Possible	Almost Certain
	Significant				
	Moderate			6	
	Minor	3, 8		5, 11	
	Insignificant	1		2, 7, 9, 10	4
		Rare	Unlikely	Possible	Almost Certain
				Likelihood	

AUDIT SCOPE AND OBJECTIVES

Audit Scope

- To ensure there is an there is an effective overall assurance framework

- To identify risks and provide assurance that the Wiltshire Pension Fund systems of internal control are operating adequately and effectively

Control Objectives

The objectives of the audit are to seek assurance that:

1. there are appropriate sources of assurance for the governance, administration and investment management of the WPF;

2. documented policies and procedures comprehensively cover the operation of the pensions systems;

3. standing data is up-to-date, complete and accurate (including starters, leavers, transfers in and out and other amendments);

4. payments due to and from the fund are made and recorded properly, completely, accurately and promptly;

5. controls exist to prevent or minimise overpayments and to ensure that overpayments are effectively monitored and recovered;

6. adequate segregation of duties has been established in the systems;

7. appropriate exception reporting is used to monitor the operation of the Pensions system;

8. regular reconciliations between the fund data, payments (in and out), and the general ledger, are prepared and reviewed.

AUDIT FINDINGS

> **Control Objective 1:**
>
> **there are appropriate sources of assurance for the governance, administration and investment management of the WPF**

1.1   Risk management

Risk registers are regularly reviewed and a report is produced for each meeting of the Pensions Committee which convenes five times per year. These reports provide a clear commentary on how risks are being managed and identify emerging risks. The Risk register presented to the meeting on 1 March 2011 shows two risks (PEN006a and PEN007a) where the current risk rating is Low, but the target is Medium. This seems to be inconsistent with the report to the committee which refers to these risks moving from amber to green.

Risk

No risk identified requiring management attention.

1.2   Governance compliance statement

Section 31 of SI 239/2008, Local Government Pension Scheme (Administration) Regulations 2008, requires that a governance compliance statement is produced, published, reviewed regularly, revised as necessary, and copied to the Secretary of State. The Governance Compliance Statement, available on the WPF website, was last updated in February 2010 and appears to reasonably reflect the current governance arrangements.

Risk

No risk identified requiring management attention.

1.3   Stakeholder engagement

Section 67 of SI 239/2008, Local Government Pension Scheme (Administration) Regulations 2008, requires that a communications policy is produced, published, reviewed regularly, revised as necessary, and re-published. The policy should include information and publicity about the Scheme for members, representatives of members and employing authorities. It should also indicate the format, frequency and method of distributing such information or publicity.

The WPF communications policy, dating from October 2009, is available on the WPF website. The policy appears to largely represent the current communications arrangements but contains proposals which are awaiting full implementation. There is also a broken link (on page 4) to the committee reports, agendas and minutes on the Wiltshire Council website.

Risk 1 (Low)

The communications policy is beginning to show signs of ageing.

1.4   Reports and accounts

Section 34 of SI 239/2008, Local Government Pension Scheme (Administration) Regulations 2008, requires a pension fund report to be prepared annually to 31 March and specifies in some detail what such reports must include. This regulation also requires the report to be published by 1st December following the year end. Audited reports and accounts, going back several years, are available on the WPF website: The report for the year to 31 March 2010 was published well before the due date:

Audited reports are received from all investment managers each year and subject to a basic review. Actuarial information, including the latest agreed valuation report, is available on the WPF website. A valuation is carried out every three years; the latest as at 31 March 2007. A valuation as at 31 March 2010 has been carried out and recently agreed to enable publication by the statutory deadline of 31 March 2011.

Risk

No risk identified requiring management attention.

Control Objective 2:

Documented policies and procedures comprehensively cover the operation of the pensions systems

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2.1 Policies and strategies

Further to the policies for governance and communications (covered above), there are a range of other policies, available on the WPF website, the more significant of which have been reviewed during this audit and include administration, cessation, funding, and treasury management.

Business plan

The Business Plan 2008-11, though clearly due for a refresh, also comprehensively covers the major aspects of the fund: governance, staffing; funding, actuarial; investments, accounting; benefits; and communication.

It is largely, but not wholly, testimony to the effective management of the fund that the Business Plan fairly rapidly becomes outdated. A number of planned actions have been achieved but there are also more recent developments (such as imaging, data accuracy and completeness and the work required implied by the Hutton review) which are not (at least specifically) reflected in the current published business plan.

Administration Strategy

The Local Government Pension Scheme (Administration) Regulations 2008 provide for Local Government Pension Scheme (LGPS) Funds to implement a Pension Administration Strategy, with an accompanying Service Level Agreement applicable to all employers in the Fund. Following consultation with employers and the WPF committee, the WPF Administration Strategy was implemented on 1 January 2010 and is available on the WPF website.

The Strategy includes a range of specific targets for employers and the fund, the main areas being: the timely, accurate payment of monies due to the Fund from employers; the timely, accurate notification of data required; and the prompt notification of expected changes. WPF has been collecting and analysing benefit administration performance related data, measuring both employer and Fund performance, since June 2009 and presents reports, highlighting areas for improvement, to the committee.

Cessation policy

The cessation policy sets out the methodology for calculating any deficit in the event that an employer leaves the fund. Prepared in collaboration with the Fund's Actuary, Hymans Robertson LLP, the current policy took effect from 1st March 2010.

Funding Strategy Statement

The purpose of the Funding Strategy Statement, which is required by statute, is to:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met;
- support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- take a prudent longer-term view of funding liabilities.

A refresh of the previously agreed (2008) strategy with some additions was presented to the WPF Committee on 1st March 2011. The two main changes reflected:

- development of the stabilisation policy (paragraphs 3.4 – 3.8), and

- changes to the admissions policy (paragraphs 3.9, 3.10).

Treasury Management Strategy

The WPF has its own bank account which is independent from the Council's bank accounts. The Fund also has two associated sets of cash investments which are also managed separately. These arrangements act to prevent cross-subsidisation and ensure the Fund complies with the investment regulations. A natural accompaniment to these arrangements, the independent Treasury Management Strategy (TMS), sets out the Fund's aim to achieve the optimum return on investments commensurate with high levels of security and liquidity. Income from contributions and transfers-in significantly exceed the cost of pensions, transfers-out and other expenditure. Subject to retaining a float for about one month's cash requirement (£1.5 - £2 million), surplus funds are sent to one of the Fund's investment managers every second or third week of the following month.

The strategy provides for a maximum of £8 million to be held with any single counter-party. This level reasonably allows for unproblematic removal of any counter-party at short notice (if for example it becomes in-eligible).

The latest TMS was approved by the WPF committee on 1st March 2011.

Risk 2 (Low)

The Business Plan may be so overtaken by events that it becomes too outdated to remain useful.

2.2 Procedures

Various documents, of varying ages, describing a number of procedures, are available in various locations on SharePoint. Also, individuals may have their own personalised notes for undertaking the numerous pension administration and processing tasks. No one, co-ordinated and up to date manual is available as an authoritative and agreed source of reference.

In mitigation, however, pension processes are being systemised for running under the Workflow functionality available with the Altair software, which is currently used for the WPF. The advantages of Workflow are that it can ensure staff are taken step-by-step through any process and facilitates performance measurement. These are important considerations, especially in the light of transparent service level agreements and the accuracy requirements demanded by The Pensions Regulator. Workflow is not a set of ready-made pensions processes, but provides a framework for establishing customised processes for all staff to use. Setting up processes for Workflow does, however, require significant input from many, if not all staff to ensure that all eventualities are covered and tested. Depending upon the extent of implementation of processes under Workflow there will, in effect, be electronic documentation of procedures for everyone to follow.

Because procedures are currently under development, a full review is postponed to a later date.

Risk 3 (Low)

There are slight risks that some processes may not, at least initially, be adequately set up for Workflow, may not be set up at all, may not be adequately documented elsewhere, and therefore may not be consistently followed by all staff.

Control Objective 3:

standing data is up-to-date, complete and accurate (including starters, leavers, transfers in and out and other amendments)

3.1 Supporting documents

For starters and leavers some employers (Wiltshire Council, Probation, Police civilians, Fire civilians and Swindon Borough Council) submit details under cover of emails from authorised staff. Other employers send hard-copy forms. Transfers in and out and other changes are notified on hard-copy forms which are signed by the member and/or by an administrator in the employing organisation.

Significant changes in administrative procedure are planned with the introduction of electronic document management, using imaging software. All documents will be scanned on a daily basis to enable prompt allocation for processing. Documents will then be regularly destroyed in accordance with a timetable to be decided. There are two possibilities for scanning: either directly on arrival by staff opening the post, or by the administrative staff to whom the case is allocated. It is not clear which method will work best so a trial period is proposed. It may be possible to run both trials simultaneously in order to speed up the decision process.

The accuracy requirements issued in June 2010 by the Pensions Regulator have necessitated a check of pensions processing to assess the extent of error. The Pensions Team selected two weeks (one in December and one in January) for 100% review which, seems to demonstrate there are relatively few issues of accuracy to be resolved.

Risk

None, pending the introduction of imaging.

3.2 Validity checks

The Pensions Team have an established procedure for seeking life certificates, but this can be a difficult and inconclusive process. The team use a professional tracing company to assist in collecting up to date information about individuals but despite this there are still several hundred pensioners who have not been traced with the result that their status and entitlements cannot be verified. There seems to be little more that can be cost-effectively done to establish the status and entitlements of individuals by direct contact through life certificate exercises. The risks associated with chasing persons deceased and of making erroneous payments (which may be either over- or under-payments) would seem to be only partially addressed by the suspension of payments to all currently untraceable individuals.

There have also been cases when information reported to SAP has not been made available to Altair and the latter system has been updated belatedly only when life certificate information has been returned.

It is clearly important that records in SAP and Altair are fully consistent with differences kept to an absolute minimum and ideally confined to matters of timing. It is understood that at any point in time either system may be more up to date than the other due to the different ways information may be received. It is therefore essential that the exchange of information between the two systems is both regular and frequent and results in appropriate updating between them. A periodic reconciliation whereby individuals are matched between the two systems is a further essential safeguard to ensure the integrity and validity of the records in both Altair and SAP.

At the time of the audit there did not appear to be a comprehensive and smoothly working mechanism for the mutual exchange of information and updating of each system by the other. The Operations Team were, however, undertaking a full reconciliation to check that the pensioners on Altair are consistent with the individuals recorded on SAP. The next step is to check the amounts being paid. This check could be facilitated by combining the various value records for each individual to enable the overall high values to be checked first

Risk 4 (Low)

Life certificates are not always returned and some individuals prove to be untraceable, resulting in risks of over- or under-payments. This may be a risk which cannot be efficiently managed,

Risk 5 (Medium)

Records in Altair and SAP may be, or become, inconsistent due to the lack of a fully functional regular and routine mechanism for exchanging new information between the two systems and updating each appropriately.

Risk 6 (Medium)

There does not seem to be a planned procedure or timetable for replicating the reconciliation between SAP and Altair once the current exercise has been completed.

Control Objective 4:

payments due to and from the fund are made and recorded properly, completely, accurately and promptly

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4.1 Calculation and payment of pension benefits

Pensions staff do not have close involvement with all aspects of SAP Payroll and therefore there is limited understanding within the Pensions team of how SAP undertakes and presents its various calculations. This would not present an appreciable risk if Altair calculations were occasionally checked for accuracy and SAP and Altair were regularly reconciled. Automated calculations made by Altair are, however, rarely checked for accuracy though manual calculations are peer-reviewed by another member of the team. Following completion of a manual form, it is subsequently authorised, scanned and sent either to Payroll or Accounts Payable, depending upon the nature of the payment to be made. The Accounts Payable process is generally used for transfers out and refunds. Payments to other funds for transfers are authorised by a senior member of the Pensions Management Team. Lump sum payments are similarly authorised for payment by the Payroll system.

Risk 7 (Low)

There is a risk that Altair may calculate benefits incorrectly and SAP may make slightly different calculations.

4.2 Employer contributions

The Fund Investment Team maintains a spreadsheet which contains details of each employer's expected contributions against which the monthly remittances are monitored. There is also a quarterly reconciliation of contributions by employer to the SAP general ledger. Remittance details are received monthly from employers with more than 25 members, but all employers provide a contributions report at year end year-end against which the ongoing payments are reconciled. Therefore a full reconciliation can be confirmed only at the year end.

Risk 8 (Low)

Remittances details are received monthly from employers with more than 25 members, but all employers provide a contributions report at year end year-end against which the ongoing payments are reconciled. Therefore a full reconciliation can be confirmed only at the year end.

4.3 Investments

Detailed investment records are held by the various investment managers used by the WPF and by the Fund's global custodian, BNY Mellon. Every month BNY Mellon approve market valuations for each investment manager. These are notified to the Investment Team who assess the relative holdings of the investment managers and, subject to there being surplus funds available, arrange (via BNY Mellon) for funds to be sent to appropriate investment managers. This usually means those who appear to have relatively low balances. The Investment Team maintain a rebalancing spreadsheet which contains comprehensive details of the balances held by each investment manager and provides a clear and up to date record of all fund transactions.

Risk

No risk identified requiring management attention.

Control Objective 5:

controls exist to prevent or minimise overpayments and to ensure that overpayments are effectively monitored and recovered

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5.1   Management of overpayments

The existence of potential overpayments will, to some extent, be addressed by the life certificate exercises and the checks and reconciliations between Altair and SAP which have been noted above in Section 3. We have, however, also noted in Section 3 the absence of an adequate procedure for exchanging and updating information between Altair and SAP. There seems to be a particular problem relating to the timeliness of information from SAP relating to the overpayment (and indeed potential underpayments) of benefits.

Overpayment cases are allocated to team members who initiate letters to members or next of kin to request appropriate refund. There is, however, no central database or monitoring of pensions overpayments, so that senior management is unaware of the precise scale, age, value and nature of overpayments which occur and which remain outstanding. In the absence of a centrally managed policy and procedure, the recording, monitoring and hastening of overpayments is left to the discretion of team members and there is little scope for a systematic review by management

Risk 9 (Low)

Information from SAP relating to overpayments (and indeed potential underpayments) of benefits is not always supplied immediately (see risk under control 3.2).

Risk 10 (Low)

There is no systematic review by management of the scale, age, value and nature of overpayments which occur and no co-ordinated policy for managing those which remain outstanding.

Control Objective 6:

adequate segregation of duties has been established in the systems

6.1   Segregation of duties

Certain major functions are clearly split between the WPF Service Area and SAP pensions payroll. The WPF Service Area is managed through a number of teams which reflect the major division of tasks between team management and administration, fund investments, benefit administration, and technical operational matters. The latter is not solely focussed on systems issues but includes certain tasks related to the administration of specific pension accounts on behalf of the wider service and which may be passed to the benefits administration teams as necessary. The addition of, and changes to, data may be carried out by any member of the two benefits administration teams and those involved in administering SAP pension payroll accounts. Key reconciliations are carried out independently within the Investments and Operations teams.

The actual monthly payment of pensions, via SAP, is restricted, as with general payroll, to designated individuals in the Payroll Control Team, a part of the Council's HR/Payroll Operations Team. A recent Internal Audit report on the Council's Payroll service comments on the sound segregation of duties which this arrangement provides and, in response to the risk arising from over-reliance on a very limited number of staff for this fundamentally key process, HR/Payroll management have provided assurance that suitable contingency procedures have been established.

Risk

No risk identified requiring management attention.

Control Objective 7:

appropriate exception reporting is used to monitor the operation of the pensions system

7.1   Exception reporting

Pensions payroll and general payroll are both run by SAP using identical procedures. The principles for exception reporting for pensions payroll are therefore the same as those for general payroll. They encompass the production of "fatal errors" which must be corrected before payments can be made and a range of anomalies which are notified to, reviewed, and amended by, the relevant payroll practitioner. As with general payroll, there is little by way of systematic independent review of the amendments that are made, which also raises the possibility that some errors may not be resolved. Pensions payroll processing also generates a report listing all net payments in excess of £4,000 which are individually reviewed to ensure they are correct for payment.

Risk

The risk that errors may be overlooked or inappropriately amended is addressed in the Internal Audit Report on Payroll.

Control Objective 8:

regular reconciliations between the fund data, payments (in and out), and the general ledger, are prepared and reviewed

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8.1   Payroll reconciliations

All payroll services, including pensions payroll are run by common processes within SAP by the same individuals in the Payroll Control Team. The principles for running the Council's payroll services therefore apply equally to the procedures for pensions payments. The main gap in the reconciliation procedures, which is common to the Council's general payroll, is the cessation of a regular reconciliation of the SAP pensions payroll to the SAP pensions general ledger. An action plan attached to a recent report by Internal Audit on the Council's general payroll procedures and controls refers to this matter in the context of general payroll, but there is a risk that such a reconciliation may be overlooked in the context of pensions.

Risk 11 (Medium)

The lack of reconciliation between SAP pensions payroll and SAP general ledger increases the risk that errors will go unnoticed and that ultimately overpayments may prove irrecoverable.

8.2   Membership reconciliations

Section 3.2 above refers to the check being undertaken by the Operations Team to ensure the consistency of Altair and SAP records and notes the need for this to be a regular control feature and not simply a one-off exercise.

Risk

See risk 6 under section 3.2 above

8.3   Investment reconciliations

Investment accounting records are regularly provided by BNY Mellon – the WPF's custodian – which are used to maintain the ledger. Book cost reconciliations, which focus on balances, and cash to market value reconciliations, which focus on movements, are completed effectively for each quarter. A further quarterly market value reconciliation, which includes realised and unrealised profit elements, is being developed with assistance from BNY Mellon. This is a task outstanding from last year when there was an inadequately identified balance at the year end, and is complicated by the potential for timing differences and double counting.

All investment reconciliations are subject to clear and effective management review.

Risk

No risk, not already known, has been identified which requires management attention

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ACTION PLAN

Risk Ref	Cross Ref	Risk & Implications	Audit's Risk Rating	Management's Risk Rating	Action Proposed by Management	Responsible Officer and Target Date
1.	1.3	The communications policy is beginning to show signs of ageing.	**Low**	**Low** **Impact = 1** **Likelihood = 1**	The intention is to review this document on a three year basis or sooner if material changes are required in the interim. This policy will be reviewed in the autumn to take account of the changes being proposed to communicating with stakeholders.	Zoe Stannard (Communications Manager) December 2011
2.	2.1	The Business Plan may be so overtaken by events that it becomes too outdated to remain useful.	**Low**	**Low** **Impact = 1** **Likelihood = 3**	The intention has always been to refresh the Business Plan in 2011 to outline the key areas of work and future developments over the next 3 years.	David Anthony (Head of Pensions) July 2011
3.	2.2	There are slight risks that some processes may not, at least initially, be adequately set up for Workflow, may not be set up at all, may not be adequately documented elsewhere, and therefore may not be consistently followed by all staff.	**Low**	**Low** **Impact = 2** **Likelihood = 2**	Workflow was being implemented during the audit. The hope is to have this fully implemented by the end of June. An objective for the team is to have a single manual for all processes for the team which is based on the flows generated in Workflow to ensure all team members undertake tasks in a consistent way.	Martin Summers (Pension Manager) September 2011
4.	3.2	Life certificates are not always returned and some individuals prove to be untraceable, resulting in risks of over- or under-payments. This may be a risk which cannot be efficiently managed,	**Low**	**Low** **Impact = 1** **Likelihood = 3**	Life certificates are a difficult exercise due to the volumes involved. That said, 5 deaths have been identified which creates a saving to the Fund. From the original 12,000 only 343 remain outstanding. Ultimately we will stop the pension until these have been identified. In future this programme will be phased on a rolling 5 year programme to reduce the one off workload. This combined with the use of mortality screening services will ensure un-notified deaths are picked up earlier.	Tim O'Connor (Operations Manager) March 2012

Risk Ref	Cross Ref	Risk & Implications	Audit's Risk Rating	Management's Risk Rating	Action Proposed by Management	Responsible Officer and Target Date
5.	3.2	Records in Altair and SAP may be, or become, inconsistent due to the lack of a fully functional regular and routine mechanism for exchanging new information between the two systems and updating each appropriately.	Medium	Medium Impact = 3 Likelihood = 3	The flow of data between SAP payroll to the Pension Fund has been problematic since the implementation of SAP when it was envisaged that bespoke reporting could provide uploaded direct into Altair. Certain reports are being provided but issues remain with the data. A couple of reports in relation to unpaid and maternity leave are still to be provided since SAP went live which may lead to a backlog of cases. Work continues with Wiltshire SST Payroll to ensure these reports are provided and are fit for purpose on a monthly basis.	Martin Summers (Pension Manager) & SST Payroll December 2011
6.	3.2	There does not seem to be a planned procedure or timetable for replicating the reconciliation between SAP and Altair once the current exercise has been completed.	Medium	Medium Impact = 3 Likelihood = 3	The Pension Fund is currently undertaking a full reconciliation of all members' details. Once this is completed quarterly checks will be done on members and the overall high level values	Martin Summers (Pension Manager) December 2011
7.	4.1	There is a risk that Altair may calculate benefits incorrectly and SAP may make slightly different calculations.	Low	Low Impact = 1 Likelihood = 2	There will always be small differences between SAP and Altair due to the different way they calculate pay increases and GMPs. However, we can obtain more assurance the calculations in Altair are correct by checking the factor tables used on a more regular and systematic basis.	Martin Summers (Pension Manager) December 2011
8.	4.2	Remittances details are received monthly from employers with more than 25 members but all employers provide a contributions report at year end year-end against which the ongoing payments are reconciled. Therefore a full reconciliation can be confirmed only at the year end.	Low	Low Impact = 2 Likelihood = 2	All employers have been notified of new requirements for providing the Fund with contribution information on a monthly basis that will enable monthly reconciliations to be undertaken.	Catherine Dix (Fund Investment & Accounting Manager) June 2011

Risk Ref	Cross Ref	Risk & Implications	Audit's Risk Rating	Management's Risk Rating	Action Proposed by Management	Responsible Officer and Target Date
9.	5.1	Information from SAP relating to overpayments (and indeed potential underpayments) of benefits is not always supplied immediately (see risk under control 3.2).	Low	Low Impact = 1 Likelihood = 3	We intend to agree with Payroll that they use the date of death provided by us (which is 99% correct) instead of waiting for receipt of the death certificate to speed up the process. All instructions will also be sent by email to avoid forms going missing.	Martin Summers (Pension Manager) June 2011
10.	5.1	There is no systematic review by management of the scale, age, value and nature of overpayments which occur and no co-ordinated policy for managing those which remain outstanding.	Low	Low Impact = 1 Likelihood = 3	The Pension team are developing a regular reporting system to ensure Senior Managers are aware of the outstanding cases which can be chased up with the Payroll Manager at their regular meetings.	David Anthony (Head of Pensions) June 2011
11.	8.1	The lack of reconciliation between SAP pensions payroll and SAP general ledger increases the risk that errors will go unnoticed and that ultimately overpayments may prove irrecoverable.	Medium	Medium Impact = 2 Likelihood = 3	Pensions are keen to undertake regular reconciliations between Pensions Payroll and the GL. This depends on the availability of SAP pension payroll reports.	Catherine Dix (Fund Investment & Accounting Manager) June 2011

Explanation of Audit Opinion and Risk Rating

Audit Opinion

Full Assurance   There is a sound system of control designed to achieve the service objectives, with key controls being consistently applied.

Substantial Assurance Whilst there is a basically sound system of control, there are weaknesses which may put some of the service objectives at risk.

Limited Assurance   Weaknesses in the system of control are such as to put service objectives at risk.

No Assurance   Control is generally weak leaving the system open to significant error or abuse.

Risk Profile Matrix Rating

Red   **= High Risk**

High level risks are significant risks to the effective delivery of the service. Risk management strategies should be put in place to appropriately manage the identified risks within a short timescale. Frequent monitoring of the management of identified risks is essential.

Amber   **= Medium Risk**

Medium level risks are risks which must be managed to ensure the effective delivery of the service. Monitoring of the risk should be regularly undertaken.

Green   **= Low Risk**

Low level risks are risks which are not considered significant to the effective delivery of the service, but which should nevertheless be managed and monitored using existing management processes.