

Terms of Reference

Client: David Anthony, Head of Pensions
Assignment: WUC – Key Controls – Pensions Fund
Issued by: Kerry Chisholm
Date: 4th December 2015

Purpose

The Terms of reference (ToR) sets out the scope and coverage of the audit. The brief described here should not be regarded as an exhaustive programme of work and the Auditor is expected to use initiative and discretion in completing the audit assignment.

The ToR are developed from our discussions and risk identification meeting with management. We require management to sign a copy of the ToR as confirmation that the scope of the audit addresses the significant risks and covers the relevant areas.

Objective & Scope

The audit review will be undertaken using our Risk Based Audit (RBA) approach whereby the controls will be identified, documented and evaluated in relation to the risks that could impact on the business objective(s).

Our findings, conclusions and recommendations will be discussed with management prior to being included in a formal report. It is intended to issue the discussion Document to David Anthony, Head of Pensions on the 5th of February 2016.

Objective: To ensure key financial system controls are operating effectively and that fraud, error or corruption is minimised

Scope: The specific controls to be reviewed and tested are set out in the summary included with this document.

The audit will require interviews with service staff and access to the complete range of records and documents they maintain. Every endeavour will be made to minimise disruption to service staff.

Timescale & Resources

The Lead Auditor, Kerry Chisholm, will be responsible for carrying out the review and preparing a discussion document. All audit findings, conclusions and recommendations will, in the first instance, be discussed with the Audit Manager prior to being communicated to the relevant staff.

It is expected that the audit will commence by 1st December 2015. The target dates for completion of the

audit work are as follows:

Milestone	Target Date	Notes
Completion of fieldwork	30 January 2016	-
Discussion Document	5 February 2016	-

The above timescale requires commitment from management, as well as audit, to consider and respond promptly to any issues raised in the audit.

Client Agreement

I agree the Terms of Reference described in this document represent a relevant and appropriate level of work.

Signed: 

Name and Position: David Anthony – Head of Pensions

Date: 4 December 2015

Summary:

Appendix A Summary of controls to be tested (cont.)

Control	Specific area of testing	Detailed testing requirements
G - Pension Fund audits – DCC and WC		
G1 - Authorisation of benefit payments to include lump sums on death, lump sums on retirement and transfer out payments.	Discuss the review and authorisation process for calculations of benefits on death, retirees and transfers out.	For a sample of lump sums on death, retirement and transfers out obtain copies of signed leaver forms and benefit calculations. Ensure that the benefit calculation and subsequent payment has been reviewed and authorised. For death benefits ensure that there is a death certificate on file.
G2 - Production and independent review of exception reports produced for pension payroll	Discuss the process for the production and review of exception reports. Ensure this is appropriate and for one report ensure this has been performed in line with our understanding.	For a sample of payments highlighted by the exception report, confirm that there is evidence of investigation and formal sign off of the review.
G3 - Authorisation of starters and leavers to the pension payroll	Discuss the process for adding and removing employees from the pension scheme. Ensure that this is appropriate. For one starter per the system, and one leaver per HR, ensure that the process has been performed appropriately and in a timely manner.	For a sample in line with the sizes on page 6, obtain signed copy of starters form and ensure that individual is added to the payroll accurately and in a timely fashion in accordance with the pension calculation. For a sample of leavers in line with the sizes on page 6, agree the individuals leaving date to their leavers form and death certificate. Ensure that the individual is removed from the payroll in a timely manner.
G4 - Periodic reconciliation of the pension payroll system to the general ledger	Discuss the reconciliation and review process with management. Ensure it is appropriate and done in a timely manner. For one reconciliation ensure that it has been performed and reconciling items appropriately followed up.	Confirm that reconciliations have been produced in a timely fashion and have been evidenced as prepared and reviewed. Confirm that the reconciliation casts and any material reconciling items exist and agree to supporting documentation.
G5 - Bank reconciliations	Discuss the reconciliation and review process with management. Ensure it is appropriate and done in a timely manner. For one reconciliation ensure that it has been performed and reconciling items appropriately followed up.	Confirm that reconciliations have been produced in a timely fashion and have been evidenced as prepared and reviewed. Confirm that the reconciliation casts and agree systems balances and significant reconciling items to supporting documentation.

Summary of controls to be tested (cont.)

Control	Specific area of testing	Detailed testing requirements
G - Pension fund audits – DCC and WC (cont.)		
G6 - Evidence of regular discussions with Governors and the actuary on the pension deficit. (relates to DCC and WC only)	Ensure that discussions regarding the pension deficit have taken place during the year.	Obtain copies of any meeting minutes or notes available to confirm that appropriate discussions have taken place.
G7 - Management approval of IAS 19 assumptions. (relates to DCC and WC only)	Ensure that the assumptions used by the actuary in the IAS 19 valuation have been reviewed and approved by management.	Confirm that management have reviewed and approved the IAS 19 assumptions through enquiry, and observation of any supporting documentation. Eg. formal sign off.
<i>Walkthroughs: New Starters; Permanent amendments; Temporary amendments; Leavers; Payroll payment runs; Processing of payroll transactions into the general ledger.</i>		