


Pensions Administration Review – Wiltshire Pension Fund / Wiltshire Council Final Report




Issue Date: 9th November 2016

Working in Partnership to Deliver Audit Excellence




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

As part of the 2016/ 17 Audit Plan, a review has been undertaken to assess the Wiltshire Pension Fund scheme's compliance with the legal requirements of the Pension Regulators Code 14, relating to the pension scheme administration requirements.

The audit was undertaken using a Risk Based Audit (RBA) approach whereby the controls were identified, documented and evaluated in relation to the risks that could impact on the business objectives.

The audit found generally a high degree of compliance with the requirements of code 14, recording only the following exceptions all of which are considered to have only a low impact on the scheme:

- the code specifies the measures that the scheme is required to adopt to ensure that pension board members acquire the appropriate knowledge and understanding of scheme matters and relevant law to undertake their roles but the audit found minor omissions in the schemes framework in this respect
- not all Pension Board members have completed conflict of interest declarations
- not all member record address details are complete (although this is a known issue and there is a continual data cleansing and completeness review being undertaken by the scheme database administrator)
- some employer contributions and deficit instalments paid to the scheme were seen to be overdue but had not been reported to the regulator (although we appreciate only 'material' overdue sums require reporting)
- not all 2015 and 2016 Annual Benefit Statements were issued within the regulatory timescale
- not all features of the scheme's documented dispute resolution procedures required by the code are in place in the documents of the scheme
- scheme documents do not record the 'reasonable period' by which responses to disputes will be made (although we appreciate that the code does not expressly state this as a requirement)

Objective

The objective of the Pension Scheme administration service is to administer the scheme in accordance with the requirements of the relevant legislation. The scheme administrator has obligations to provide information to HMRC, the pension scheme members and The Pensions Regulator (TPR).

Significant Findings

Risk:	Impact
There are no significant findings to report.	

Audit Opinion:**Reasonable**

Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Well Controlled Areas of the Service

In the following areas of the regulator's code under examination, the audit found the scheme fully compliant:

- Publishing information about the scheme
- Managing risks

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. 1. Non-compliance with The Pension Regulator (TPR) Code 14 and potential adverse impacts that could create for the Pension Fund.	Medium	Medium	Medium

(Although we record here a medium risk of non-compliance by the scheme with the code, the exceptions that were found and are recorded in this report are considered to have only a low impact on scheme status.)

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

1.1	Non-compliance with The Pension Regulator (TPR) Code 14 and potential adverse impacts that could create for the Pension Fund.	Medium
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1.1.1 Finding and Impact: pension board members scheme knowledge and understanding

Not all initiatives implemented by the scheme to deliver the necessary knowledge and understanding to pension board members to exercise their function required by the code have been completed

The scheme has designed and implemented a 'knowledge and understanding' training framework through analysis of members' self-assessment of needs. This is supported by the Members Training Plan for 2015-17 which covers general training needs to maintain member's knowledge as well as other areas identified targeting specific gaps in knowledge.

We noted however the following key elements of the broader framework were incomplete at the time of the audit:

- the members' handbook intended to inform requirements remains under development
- Only 3 out of 7 board members had completed TPR toolkit training

1.1.1a Proposed Outcome: Priority 3

I recommend that the initiatives implemented by the scheme to bring board members knowledge and understanding up to the level required are completed as a matter of priority.

Action Plan:

Person Responsible:	David Anthony	Target Date:	December 2016
Management Response:	The Members handbook was approved by the Local Pension Board at its meeting on 20 October 2016. 4 Board members have now completed the TPR toolkit with a reminder sent to all others to ensure completion by December 2016.		

1.1.2 Finding and Impact: Pension Board members conflict of interest declarations

Not all pension board members have completed scheme conflict of interest declarations

We note that only 6 out of 7 pension board members have completed and submitted scheme declarations of interest on the scheme's template meaning the scheme is not fully compliant with the code in this regard. However, because management are aware of the deficit and are already addressing this, no recommendation is raised here.

1.1.3 Finding and Impact: member record maintenance

Not all member records are complete in respect of address details

Our analysis of a membership database extract indicated that 433 of these (in a population of around 37,000 member records) have incomplete address information. We note, however, the service conduct an active and ongoing data cleansing and completeness review of the data and, following audit review of this, we make no recommendation for further action.

1.1.4 Finding and Impact: overdue scheme contributions and deficit instalments

Overdue payments of contributions and deficit instalments to the scheme that are significant and potentially material have not been reported to the regulator

We noted that full analysis of number, value and age of late payments of contributions by employers had not been completed by the scheme and we have not evaluated this as part of the audit. However, a sample count across all contributing employers yielded 7 cases where contributions for May 2016 were received after 22nd June but none of these was individually nor in aggregate of a sum sufficient to warrant reporting to the Regulator.

We also noted that several of the employers sampled (and others not) are making payment by instalments of a past deficit. Not subject to the code 14 regulation regarding the payment deadline of the 22nd of the month, for these, the scheme requires employers to make payments either monthly, quarterly or by single lump sum and employers have until the last instalment in March to have made all their deficit repayments for any given year. Scheme monitoring of these balances indicates a shortfall in agreed instalments at May 2016 of more than £180k and if deemed material, the scheme risks non-compliance with the code if it does not report this to the Regulator.

1.1.4a Proposed Outcome:

Priority 3

I recommend that the scheme assess the materiality of late and overdue contributions and other balances and consider reporting these to the regulator.

Action Plan:

Person Responsible:	Roz Vernon	Target Date:	December 2016
Management Response:	The vast majority of these late payments are a few days late and not of a material amount. However, a full review of the contributions reconciliation framework and the resources allocated to this has already commenced and this risk increased to medium in the Wiltshire Pensions Risk Register to highlight the issue to the Committee and Pension Board. The increase in employer organisations from 60 to 160 over the past 6 years has significantly increased the workload for this reconciliation.		

1.1.5 Finding and Impact: annual benefit statements

Not all 2015 and 2016 Annual Benefit Statements were issued within the regulatory timescale

We noted that the service indicated in their self-assessment that not all Annual Benefit Statements (ABS) issued in 2015 were within the deadline of 31st August 2015. We also note that the ABS template development work in summer 2016 overran which meant that statements were again issued late, although the delay was not significant.

1.1.5a Proposed Outcome:

Priority 3

I recommend that the scheme ensure that in future years regulatory timescales for distributing annual benefit statements are not exceeded.

Action Plan:

Person Responsible:	Catherine Dix	Target Date:	August 2017
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Management Response:	The statutory deadlines were missed in both years by no more than two weeks for the majority of the statements. Both times these have been reported to Committee and Pension Board for consideration in line with the Breaches Framework. In 2016, the in-house produced statements were issued by the deadline but as in 2015 there were lead time issues with the printers, albeit different printers on both occasions. A post project plan review has been undertaken and a revised project plan for 2017 has now been developed to incorporate the issues encountered.
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1.1.6 Finding and Impact: internal dispute resolution procedure documentation

Not all required features of the scheme's documented dispute resolution procedures are in place

Dispute Resolution Arrangements

TPR code 14 requires that the internal dispute resolution procedures (IDRP) adequately include the following features but these are not satisfied in the scheme's current draft:

- a) clarity on exempted disputes' to which the internal dispute resolution procedure will not apply (paragraph 214)
- b) clarity on persons who have an interest in the scheme (paragraph 215).

We also noted that the current IDRP had not been reviewed in the past 5 years.

Not all dispute cases were managed within regulatory timescales

Dispute resolution timescales

In the two sample cases examined (there have been only five complaints managed through the scheme's dispute resolution procedure since 2012), timescales stipulated by the Regulator for dispute investigation were exceeded in responding to these complaints, although these delays were not thought to be significant.

1.1.6a Proposed Outcome:

Priority 3

I recommend that the scheme's internal dispute resolution procedure be revised to fully address code 14 requirements in respect of the following:

- a) clarity on exempted disputes' to which the internal dispute resolution procedure will not apply (paragraph 214)
- b) clarity on persons who have an interest in the scheme (paragraph 215).

Action Plan:

Person Responsible:	Craig Payne	Target Date:	December 2016
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Management Response: The documentation will be updated on the website and the Fund's forms to incorporate the above proposal.

1.1.6b Proposed Outcome: Priority 3

I recommend that the scheme re-examine the procedures it follows to address complaints within timescales set out by the Regulator to avoid exceeding regulatory timescales.

Action Plan:

Person Responsible:	David Anthony	Target Date:	December 2016
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Management Response: The Fund will review its procedure to ensure the timescales meet the Regulator's requirements.

1.1.7 Finding and Impact: dispute resolution timescales

Scheme documents do not record the 'reasonable period' by which responses to disputes will be made

The regulation does not specify what is a reasonable period for dispute resolution, nor does it expressly state that schemes should record in their internal dispute resolution procedure (IDRP) what in practice for that scheme this timescale will be. That said, for clarity and the avoidance of doubt, good practice would direct that a scheme's documents should include this information and we noted that the scheme's IDRP does not do so.

1.1.7a Proposed Outcome: Priority 3

I recommend that the scheme's internal dispute resolution procedure (IDRP) be redrafted with the addition of timescales by which the scheme will manage dispute investigations.

Action Plan:

Person Responsible:	Craig Payne	Target Date:	December 2016
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Management Response: The Fund will include timeframes on the IDRP scheme's documents as good practice and to assist members in managing their expectations.

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Report Authors

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Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

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This report has been distributed to the following individuals:

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Working in Partnership with

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Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Wiltshire Council
North Dorset District Council	Wiltshire Police & OPCC
Sedgemoor District Council	

Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.