



THE ROYAL BOROUGH OF
WINDSOR AND
MAIDENHEAD



WOKINGHAM
BOROUGH COUNCIL

SHARED AUDIT AND INVESTIGATION SERVICE

INTERNAL AUDIT REPORT (9161)

**Governance and Administration of
Berkshire Pension Scheme (Code of
Practice 14)**

2016/17

***RBWM – Corporate and Community
Services Directorate***

Draft Report Distribution

Name	Title
Nick Greenwood	Pension Fund Manager
Kevin Taylor	Deputy Pension Fund Manager
Philip Boyton	Pensions Administration Manager

Additional Circulation of final report

Name	Title
William Webster	Chairman of the Pension Board
Russell O'Keefe	Strategic Director of Corporate and Community Services
Rob Stubbs	Head of Finance
Richard Bunn	Chief Accountant
Steve Mappley	Insurance & Risk Manager
KPMG	External Audit

Auditor

Madeline White – Senior Auditor

Report Approved by

Catherine Hickman, Service Manager – Shared Audit & Investigation Service

1. INTRODUCTION

1.1 This audit has been undertaken as part of the approved Annual Internal Audit Plan 2016/17, in accordance with the:

- Audit Charter
- Audit Protocol
- Agreed Terms of Reference previously issued

1.2 The format of this report is based on the Lean Systems Thinking Methodology. Management is therefore requested to specify and explain the countermeasure to the concerns raised, as detailed in the Management Action Plan.

2. EXECUTIVE SUMMARY & CONCLUSIONS

2.1 The principal objective of this Audit is to determine whether RBWM as the Administering Authority to the Berkshire Pension Fund is complying with the Governance and administration of public service pension scheme Code of Practice 14

AUDIT OPINION

Based upon our review of the controls in place within Governance and Administration of public service pension scheme (Code of Practice no14) 2016/17, we have concluded that controls are:

Substantially Complete and Generally Effective (2nd highest out of 4 Audit Opinions)

- Most key Treatment Measures are in place and these operate effectively.
- The majority of residual risks have been reduced to an acceptable level.
- There are some unacceptable financial implications.
- The majority of concerns are of a predominately moderate impact/likelihood.

(Risk management processes are good and controls are adequate although only Partially effective).

2.2 This review has highlighted that the Deputy Pension Fund Manager has considered and developed practical guidance to suit the characteristics within the Berkshire Pension Fund. In particular the Members' Handbook which incorporates links to relevant governance documentation is an invaluable tool to assist Members in becoming conversant with legislative requirements.

2.3 There are 20 concerns identified in this Audit Report which have been classified as moderate. A further 10 minor concerns have been reported to the Berkshire Pension Fund management at the exit meeting which will also require addressing.

Management Action Plan

Please complete both the Management Action Plan

For any one concern, you may decide upon one or more countermeasures

PLEASE CUT AND PASTE THE TICK SHOWN INTO THE APPROPRIATE COUNTERMEASURE(S) CELL(S)

Audit Title: Governance and Administration of public service pension scheme (Code of Practice no14) -2016/17

Report No: 9161

REF	CONCERN	RISK	FINDING	Counter Measure				COUNTER MEASURE EXPLANATION	RESPONSIBLE OFFICER	TARGET DATE	DATE: TRANSFER OR TERMINATE
				Treat	Tolerate	Transfer	Terminate				
1	Members/Pensioners will be referring to out of date information.	Moderate	The Terms of Reference for the Pension Board does not:- a)reflect the current structure b)incorporate the date of approval.	√				Discussed at Board meeting of 28 July 2016. Updated and agreed version to follow.	Kevin Taylor Deputy Pension Fund Manager (with assistance from Board Chairman)	30/09/2016	Terms of Reference have been revised and updated. Completed
2	The interests of the non Unitary admitted bodies may not be appropriately represented.	Moderate	There is only 1 scheme member representative outside of the six Unitaries on the Board and no substitutes.	√				Discussed at Board meeting of 28 July 2016 and 24 November 2016. Updated and agreed version to follow. Actions to be considered as to how best the Board ensures that scheme employers are fully represented.	Kevin Taylor Deputy Pension Fund Manager (with assistance from Board Chairman)	28/02/2017	Ongoing
3	Members/Pensioners are not being kept up to date with information and decisions being taken, by the Pension Board members	Moderate	Pension Board minutes are not always available on the Berkshire Pension Board and RBWM website. As at 20th June 2016, February 2016 minutes were not available and November 2015 minutes were marked draft. In addition, Pension Board Papers relating to 28th April 2016 meeting was not available on the Berkshire Pension Fund website as at 20/6/16.	√				Minutes have now been updated and are available for viewing.	Kevin Taylor Deputy Pension Fund Manager	31/07/2016	Completed
4	Non adherence to Pension Board members handbook	Moderate	Dedicated web page link for scheme members to raise discussion items for the Pension Board has not been seen.	√				Currently under review.	Kevin Taylor Deputy Pension Fund Manager	31/12/2016	Dedicated email created and published on website. Completed

If Countermeasure is "Treat" then complete these columns

Complete where applicable

REF	CONCERN	RISK	FINDING	Treat	Tolerate	Transfer	Terminate	COUNTER MEASURE EXPLANATION	RESPONSIBLE OFFICER	TARGET DATE	DATE: TRANSFER OR TERMINATE
5	Difficulties could arise if Governance documentation is not regularly reviewed and updated	Moderate	Documentation relating to the appointment of Pension Board members is not up to date.	√				Discussed at Board meeting of 28 July 2016. Updated and agreed version to follow.	Kevin Taylor Deputy Pension Fund Manager (with assistance from Board Chairman)	30/09/2016	Agreed as part of Terms of Reference. Completed
6	The Pension Board members may not be able to fulfil all areas of their responsibilities.	Moderate	E-Learning toolkit not completed by the following: a) Alan Cross b) Alan Nash c) Andy Walker d) Surjit Najr e) Terry Baldwin	√				As at 01/08/16 toolkit has been completed by all Board members with the exception of Alan Cross, Alan Nash and Andy Walker.	Kevin Taylor Deputy Pension Fund Manager (with assistance from Board Chairman)	28/02/2017	Only Andy Walker remains outstanding subject to revision of Board membership. Ongoing
7	Without a review of specific competencies and the technical skills required, the Pension Fund Panel and Advisory Panel may be unable to: a) fulfil all areas identified in their Terms of Reference. b) demonstrate that Members can fulfil their responsibilities.	Moderate	Training records including personal training needs analysis have not been seen for the Pension Panel and Advisory Panel	√				Currently under review.	Nick Greenwood Pension Fund Manager Kevin Taylor Deputy Pension Fund Manager	31/01/2017	Ongoing
8	Pension Board Members may not be able to fulfil all areas of their responsibilities relating to the Terms of Reference.	Moderate	Training analysis not been seen for:- a) Alan Cross b) Alan Nash c) Terry Baldwin d) Andy Walker Where Training needs analysis have been completed areas have been highlighted where members are not fully conversant with policies and procedures	√				As at 01/08/16 Training analysis has been completed by all Board members with the exception of Alan Nash and Andy Walker.	Kevin Taylor Deputy Pension Fund Manager	28/02/2017	Only Andy Walker remains outstanding subject to revision of Board membership. Ongoing

REF	CONCERN	RISK	FINDING	Treat	Tolerate	Transfer	Terminate	COUNTER MEASURE EXPLANATION	RESPONSIBLE OFFICER	TARGET DATE	DATE: TRANSFER OR TERMINATE
9	Members may be referring to out of date documentation	Moderate	The Code of Conduct relating to Board and Panels have not been dated evidencing :- a) date compiled b) date approved c) date of next review	√				Currently under review.	Kevin Taylor Deputy Pension Fund Manager (with assistance from Board Chairman)	30/11/2016	Completed
10	Conflict of interest may arise which results in the judgement of other members present being influenced.	Moderate	Declaration of Interest forms have not been completed by:- a) Terry Baldwin b) Andy Walker	√				Still outstanding	Kevin Taylor Deputy Pension Fund Manager (with assistance from Board Chairman)	28/02/2017	Ongoing
11	Not all users may have equal access to information and functionality	Moderate	Evidence has not been seen that disabled people's requirements are met in respect of information provided electronically.	√				The administration team have been in touch with Corporate Communications. The Borough works with RNIB who provide recorded CDs of guides and publications. All pension guides and publications will carry a note that we can provide audio or large print copies upon request. A note has also been added to email signatures which provide recipients with details of how to receive emails in large print.	Philip Boyton Pensions Administration Manager	31/07/2016	Completed
12	The Risk Register may not reflect the current position if regular reviews are not undertaken	Moderate	Risk Register review is overdue	√				Currently under review.	Kevin Taylor Deputy Pension Fund Manager	30/09/2016	Completed
13	An administrative breach may occur if sensitive data is inadvertently divulged to a third party.	Moderate	There is not of record held by HR of the following officers undertaking the Information Security and Data Protection training:- A)E-Learning i) Annette Keating (now completed) ii) John Wylie	√				JW requested to complete by 31 August 2016.	Nick Greenwood Pension Fund Manager	31/08/2016	Completed
14	Inconsistent or inappropriate practices may develop in the absence of a retention policy/procedure	Moderate	A retention of records policy does not exist	√				A policy has now been created and adopted.	Philip Boyton Pensions Administration Manager	31/07/2016	Completed

REF	CONCERN	RISK	FINDING	Treat	Tolerate	Transfer	Terminate	COUNTER MEASURE EXPLANATION	RESPONSIBLE OFFICER	TARGET DATE	DATE: TRANSFER OR TERMINATE
15	Non adherence to Pension Administration Strategy	Moderate	The target for issuing the annual benefit statement was not met in 2015.	√				Some annual benefit statements were not issued on time as a result of certain Scheme employers being unable to submit data to the Pension Fund in a timely manner. It was decided not to take any action on this occasion due to the additional pressures imposed by the new CARE scheme but a plan has been put in place to ensure this situation does not arise again.	Kevin Taylor Deputy Pension Fund Manager Philip Boyton Pensions Administration Manager	31/07/2016	Completed
16	Officers may be referring to out of date policy	Moderate	No evidence seen that the Internal Dispute policy has been reviewed. In addition, the forms within the documents are either not dated or have differing dates.	√				The 'complainis' policy and documents have been updated.	Kevin Taylor Deputy Pension Fund Manager	31/07/2016	Completed
17	Delays may be experienced and timescales not met, if procedures are not clearly documented	Moderate	The Reporting of Breaches procedure does not include a clear process in respect of:- a) obtaining clarification of the law around the suspected breach b) clarifying the facts around the suspected breach where they are not known.	√				The Reporting Breaches guidance has been updated to reflect these findings.	Kevin Taylor Deputy Pension Fund Manager	31/07/2016	Completed
18	Failure to report breaches of law to the Pension Regulator is a "civil offence", i.e non compliance Public Service Pension Act 2013 and Local Pension Scheme Regulations.	Moderate	The Interim Head of Finance and Monitoring Officer was not aware of the guidance and legal requirement, in respect of Reporting Breaches. No training has been given.	√				Action will be taken to provide the necessary training.	Kevin Taylor Deputy Pension Fund Manager	28/02/2017	Ongoing
19	Legal and financial implications could be incurred by the Pension Fund	Moderate	Evidence has not been seen that internal controls within all the services provided by outside providers are adequate and effective.	√				Currently under review.	Nick Greenwood Pension Fund Manager	31/12/2016	Ongoing
20	Legal and financial implications could be incurred by the Pension Fund	Moderate	Evidence has not been seen that the Pension Team hold signed Service Level Agreements from all the Admitted Bodies.	√				Currently under review with consideration being given to the possible merger with LPP.	Kevin Taylor Deputy Pension Fund Manager	31/03/2017	Ongoing

Governance and Administration of Berkshire Pension Scheme (Code of Practice 14)

2016/17

Minor Concerns

Ref	Concern	Cause	DATE MANAGEMENT INFORMED
a	Members/Pensioners will be referring to incomplete and out of date information.	Governance structure does not reflect current position (no independent Chair Document does not quote which admitted Body the Pension Board members are representatives.	27/6/16
b	Code not complied with	Minutes do not detail place of meeting . Venue only detailed on RBWM website.	27/6/16
c	Minutes are not always an accurate record.	Details of all officers attending meetings are not always included in the minutes	27/6/16
d	Members/Pensioners/ Employers may be referring to out of date information.	The following policies do not appear to have been reviewed regularly:- a)Statement of Policy concerning communications (dated 4/14) b)admission body policy (dated 11/14)	27/6/16
e	Pension Board members will be unaware of the correct procedure to follow.	There is not a link in the handbook to the Internal Disputes procedure.	27/6/16
f	Information may not be promptly located by members/pensioners	The website link to the Internal Dispute procedure is on the complaints page and download is entitled complaint and not Internal Dispute procedure.	27/6/16
g	Policy does not correspond with the Code of Practice	In respect of Internal Disputes, the TCR details 6 months as a reasonable time within which applications from persons detailed under pt 226 must be made whereas the policy indicates 4 months.	27/6/16

h	Policy does not correspond with the Code of Practice	The Job Title of the person to complain to is not quoted on the website or within the Internal Dispute policy.	27/6/16
i	Non adherence to procedure	In respect of Reporting Breaches policy:- a)A register relating to the breaches of Law has not been devised. b)Register of Breaches of Law have not been included in the Pension Board Agenda (pg 8 of the procedure).	27/6/16
j	Pension Board Members will not be able to refer to relevant information promptly.	A review of the members handbook revealed the following: Pg 31 is there a need to link a copy of the Stewardship report to manual? Pg 35 s105 – risk assessment and risk evaluation document needs to be attached? Pg34 – states Who each Pension Board member represents (4.4) – can't see this in 4.4? g38 – failure to meet requirement re 31 st August issue of benefit statement to be reported to Pension Regulator. This happened last year – but no record in the Breaches register?. Pg 39 – s191 – 193 – re Annual Benefit – can't see 31 st August in policy? Pg44 – no link to an Internal Disputes register?	27/6/16