



# BEDFORDSHIRE FIRE & RESCUE AUTHORITY

**Pension Board**

**FINAL**

**Internal audit report: 4.17/18**

**23 January 2018**

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# 1 EXECUTIVE SUMMARY

## 1.1 Background

We have undertaken a review of the Pension Board as part of our annual internal audit plan for 2017/18 for Bedfordshire Fire and Rescue Authority (hereafter referred to as 'the Authority').

Our review focussed on the Pension Board and whether the Board had been set up in line with Public Services Pensions Act 2013 and other guidance available to the Board.

The Pension Board was governed by a Terms of Reference which was last updated in August 2015 and confirmed that the Board comprised of; a Chairperson, two employer representatives and two member representatives with additional support from the Scheme Manager and a Minute-taker.

The Pension Boards main purpose as specified within its terms of reference was to assist Bedfordshire Fire & Rescue Authority in its role as Scheme Manager of the Firefighters' Pension Scheme. Such assistance is to:

- a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- b) Ensure the effective and efficient governance and administration of the Scheme.

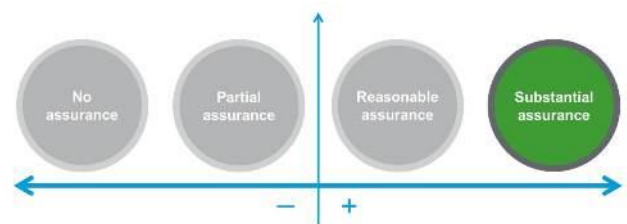
## 1.2 Conclusion

We were satisfied that the Pension Board had been established in line with national expectations and was generally delivering its responsibilities in line with its terms of reference. We have however, agreed four low priority management actions in order to improve some aspects of the Pension Boards arrangements such as; regular review of the terms of reference, identification of detailed responsibilities within the terms of reference, retaining sufficient audit trail for completed actions through the meetings, updating of information on the Authority website and development of a Knowledge and Understanding Framework and Policy.

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### Internal audit opinion:

Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.



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## 1.3 Key findings

The key findings from this review are as follows:

### Terms of Reference

Bedfordshire Fire & Rescue Authority have established a Pension Board which was governed by a Terms of Reference which includes the high-level responsibilities as defined within the Public Services Pensions Act 2013 and also the membership, quoracy and reporting requirements.

### Pension Board Structure

The Pension Board was chaired by the Head of Finance and Treasurer and was supported by the HR Operations Manager as the Scheme Manager with two employer representatives and two member representatives. We also confirmed that the Board had assigned a member of staff to provide the Board with secretarial support which was evidenced through the Terms of References and then subsequently within meeting minutes.

## Compliance with Public Service Pensions Act 2013

We reviewed the Pension Boards documentation including meeting minutes, conflicts of interest policy, declaration of interest forms, terms of references and the Authority's website to test compliance with section five and six of the Public Service Pensions Act 2013 and confirmed that the Pension Board had complied with the guidance in all subsections where relevant under section five however, we noted some exceptions with section six where the most up to date information had not been published on the Authority website for which we have agreed a low priority management action.

### Conflicts of Interest

A Conflicts of Interest Policy is in place which outlines the Authorities requirements for declaring interests of members of the Local Pension Board (LPB).

Furthermore, we confirmed that each member of the Board had completed a declaration of interest form upon appointment to membership. We were also able to confirm that the Chair and Scheme Manager had completed a declaration of interest form.

All employees of the Authority are required to complete an annual declaration for the Authority however, there is no further requirement for an annual declaration for Pension Board members. We did however note that some members had joined the Board in 2016 and the declaration was completed at the joining stage and therefore some declarations were dated 2016 however, at each meeting we were able to evidence an opportunity to declare any conflicts of interest and therefore have not agreed a management action in relation to this.

Through review of the conflicts of interest register and the respective forms, we were able to confirm that none of the members had any significant conflicts of interest. Furthermore, we confirmed through review of the terms of reference that the Authority had outlined the requirements for conflicts of interest which were in line with the Public Service Pensions Act 2013.

### Pension Board Meetings

We obtained the meeting minutes, agendas and papers for the Pension Board meetings held in November 2016, February 2017, May 2017 and September 2017 and confirmed that meeting minutes had been formally documented in each of the months noted above. We reviewed the meeting minutes and confirmed the key subject areas discussed however, we were unable to compare these to outlined responsibilities as these were not included in significant detail within the Pension Board Terms of Reference. The Pension Board did however include the high-level responsibilities as required by the Public Services Pensions Act 2013. In addition, we confirmed that the quoracy requirements outlined within the Terms of Reference were met within each of the four meetings reviewed.

## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*	Agreed actions		
	Low	Medium		High		
Pension Board	0	(4)	3 (4)	4	0	0
<b>Total</b>	<b>4</b>	<b>0</b>				

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
<b>Area: Pension Board</b>								
1.1	Bedfordshire Fire & Rescue Authority have established a Pension Board which is governed by a Terms of Reference which includes the responsibilities as defined within the Public Services Pensions Act 2013.  The Public Services Pensions Act 2013 provides guidance to the Authority in relation to the establishment	Yes	No	<p><b>Terms of Reference</b></p> <p>We obtained the Terms of Reference for the Pension Board at Bedfordshire Fire &amp; Rescue Authority and confirmed that the Terms of Reference clearly identified the following key elements:</p> <ul style="list-style-type: none"> <li>• Membership,</li> <li>• Delegations,</li> <li>• Quoracy, and</li> <li>• Reporting requirements.</li> </ul> <p>We noted that the Terms of Reference did not clearly identify the responsibilities of the group in detail</p>	Low	<p>The Terms of Reference for the Pension Board will be reviewed and updated to outline the specific responsibilities of the Board in assisting the Authority in its role as Scheme Manager.</p> <p>The terms of reference will be subject to regular review and this requirement will be defined within the terms of reference.</p>	<p>28 February 2018</p> <p>28 February 2018</p>	<p>G Chambers S Green</p> <p>G Chambers</p>

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and governance of Local Pension Boards.

The Terms of Reference is in place for the Pension Board which includes key information including roles, responsibilities, membership, delegations, quoracy and reporting requirements.

The Pension Board meetings take place a minimum of three times per year and are attended to by the following personnel:

- Chair;
- Scheme Manager;
- Two Employer representatives;
- Two Member representatives; and
- Minute-taker.

however, we noted that it included assisting Bedfordshire Fire & Rescue Authority in its role as Scheme Manager of the Firefighters' Pension Scheme. There was limited clarity as to how the Pension Board would specifically assist the Authority's role as Scheme Manager.

Through discussions with the HR Operations Manager, we confirmed that the Pension Board had been waiting for the Scheme Advisory Board to provide the suggested timetable and list of agenda items. This had been provided and discussed at the Pension Board meeting in December 2017.

Following this, we also confirmed that the Authority had developed an annual work programme for the local pension board for 2018/19 through which they identified ten standing agenda items for their meetings.

Without clearly identifying the responsibilities and remit of the Pension Board within the Terms of Reference, the requirements and expectations of the group is unclear and can lead to important and relevant issues not being discussed.

In addition, we identified that the Terms of Reference were last reviewed and updated in August 2015 but had not been assigned a next review date.

There is a risk that the Boards terms of reference may become outdated

Low

The Pension Board will ensure that the website is kept up to date with the latest information and details for the Board Members.

31 January 2018 G Chambers

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should they not be regularly reviewed in line with legislation.

**Compliance with Public Service Pensions Act 2013**

**Section Six**

Our review of the Pension Information webpage identified that the information attached on the website was outdated as it identified a member of the Pension Board who had retired.

There is a risk that without the most up to date information of the Board members being available on the website, staff and members of the pension schemes may be misled to contact the incorrect people. This may impact the timeliness of resolving queries and issues.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
1.2	<p>The purpose of the Board is to assist Bedfordshire Fire &amp; Rescue Authority in its role as Scheme Manager of the Firefighters' Pension Scheme. Such assistance is to:</p> <ul style="list-style-type: none"> <li>Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;</li> <li>Ensure the effective and efficient governance and administration of the Scheme.</li> </ul> <p>The key subject areas discussed at Pension Board meetings include:</p> <ul style="list-style-type: none"> <li>Training;</li> <li>Communications;</li> <li>Risk Register;</li> <li>Review of Annual Pension Benefit;</li> </ul>	Yes	No	<p><b>Pension Board Meetings</b></p> <p>We obtained the, agendas, meeting minutes and papers for the Pension Board meetings held in November 2016, February 2017, May 2017 and September 2017 and confirmed that meeting minutes had been formally documented for each of the above meetings.</p> <p>Following our review of meeting minutes for the above meetings, we were able to confirm that the Pension Board consistently held discussions around the following subject areas:</p> <ul style="list-style-type: none"> <li>Training;</li> <li>Communications;</li> <li>Risk Register;</li> <li>Review of Annual Pension Benefit;</li> <li>Website; and</li> <li>Local pensions partnership attendance and support.</li> </ul> <p>We were however unable to confirm that this was sufficient as there was no clear criteria outlined within the Terms of References for the Pension Board. We have agreed a management action above in relation to more specifically identifying the responsibilities of the Pension Board.</p>	Low	<p>The Authority will re-design the action log to include an implementation date and completion column.</p> <p>A clear audit trail will be maintained confirming that actions have been completed within action log presented in the subsequent meeting.</p>	28 February 2018	G Chambers S Stewart



Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> <li>Website; and</li> <li>Local pensions partnership attendance and support.</li> </ul> <p>Pension Board meetings are held a minimum of three times a year and meeting minutes are taken at each of these meetings.</p> <p>Actions are assigned during the meetings and recorded on an action log which is reviewed, maintained and presented at each meeting.</p>			<p>In addition, we obtained the 2018/19 workplan which identified the various subjects and the meetings during which they would be presented, discussed and reviewed.</p> <p>The Pension Board in the past has set their own agendas, which have been informed by the various courses, regional meetings and training attended. The Chair prior to each meeting has met with the Scheme Manager to discuss the forthcoming agenda and matters that needed to be covered.</p> <p>The Pension Board had been waiting for the Scheme Advisory Board to provide the suggested timetable and list of agenda items which has recently been communicated. We did however compare the subject areas discussed by the Board to the standing agenda items outlined within the 2018/19 work programme and confirmed that they were in line with each other.</p> <p><b>Actions and Action Logs</b></p> <p>Through review of the meeting minutes, we were able to identify that the actions arising out of the discussions were clear in identifying who was responsible for each action however, there was no inclusion of a target completion date.</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>Furthermore, through review of meeting minutes and the attached action logs, we noted that there was limited information captured within meeting minutes as to the reason for actions being removed from the log, as there was no documented evidence or discussion in some cases to confirm that the actions had been completed.</p> <p>There is a risk that actions which have been identified may not be completed in a timely manner and in line with expectations of the Board and this may create unnecessary delays for securing compliance with regulations and legislation should action completion be delayed.</p>				
1.3	<p>Role descriptors are in place which support the Bedfordshire Fire &amp; Rescue Authority Pension Board outlining the role description and personal specification of members and the chair.</p> <p>Training is provided through several forms, and Board members are expected to attend and participate in training arranged.</p> <p>The Board have developed a</p>	Yes	No	<p>We obtained the role descriptors for the members of the Pension Board and confirmed that it was clear in outlining role description and personal specification for the Chair and the members of the Board.</p> <p>Review of the training records confirmed that training was being completed by the members and the chairs and appropriate records were being retained to evidence the successful completion of the training.</p> <p>The Terms of Reference for the Pension Board outlined that the Pension Board should establish and</p>	Low	The Authority will establish and maintain a Knowledge and Understanding Policy and Framework formally outlining the knowledge and understanding requirements for Board members.	30 June 2018	A Peckham

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	spreadsheet which records the training completed by each member of the Board including the Chair.			<p>maintain a knowledge and understanding policy and framework which outlines the knowledge and understanding requirements for Board members.</p> <p>We did however note that the Pension Board had not developed a knowledge and understanding policy and framework as noted within the Pension Board Terms of Reference however, the Authority has maintained a spreadsheet which records the training completed by the Pension Board.</p> <p>There is a risk that members of the Board may not comply with the knowledge and understanding expectations of the Pension Board which may detriment the effectiveness and efficiency of the Board, should members lack the required knowledge.</p>				

# APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

## Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

### Objectives of the area under review

To ensure that the Pension Board have been established in line with national expectations and is delivering its responsibilities in line with its terms of reference.

When planning the audit, the following areas for consideration and limitations were agreed:

#### Areas for consideration:

As a requirement of the Public Services Pensions Act 2013, a Pension Board has been established at Bedfordshire Fire Authority. The Act states that a Board should be established with responsibility for assisting the scheme manager in relation to the following matters:

- a) Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- b) Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- c) Such other matters as the scheme regulations may specify.

This review will aim to provide assurance that the Bedfordshire Fire Authority Pension Board has been established and is delivering its responsibilities in line with its terms of reference.

In particular, we will ensure that:

- A Pension Board has been established with terms of reference which include the responsibilities as defined within the Public Services Pensions Act 2013;
- The terms of reference include the key information including roles, responsibilities, membership, delegations, quoracy and reporting requirements;
- Conflicts of interest have been adequately identified and considered;
- Appropriate resources have been assigned to the Pension Board to discharge their responsibilities including secretarial support; and
- The Pension Board is discharging their responsibilities in line with their terms of reference. This will include reviewing their minutes and papers to ensure that there is an appropriate record of activity and decisions made.

#### Limitations to the scope of the audit assignment:

- We will not confirm that all legal requirements have been met;
- We will not confirm that the pension scheme is being administered in accordance with the scheme regulations;
- We will not verify that the board member without a conflict of interest, does in fact not have a conflict of interest;
- We will not verify that the employee representative are employees;
- All testing will be compliance based sample testing only; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## FOR FURTHER INFORMATION CONTACT

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