

**Teachers' Pension Scheme Pension Board (TPSPB)  
Managing Risk & Internal Controls Sub-Committee**

**16 June 2021 - (by Teams teleconference)**

<b>Present:</b>		
Susan Anyan	Independent Pension Specialist - Chair	SA
Kate Atkinson	Member Representative	KA
David Butcher	Employer Representative	DB
Simon Lowe	Employer Representative	SL
Keith Barker	TP Head of Scheme Finance & Payroll	KB
Amy Gibbs	TP Analytics & Risk Management	AG
Peter Springhall	DfE Head of TPS Supplier Management	PSp
Richard Lees	DfE Finance Manager	RL
Alan Hunt	DfE Contract Manager (observer)	AH
Mathew Vaughan	DfE Valuation Manager (observer)	MV
Ann Ratcliffe	DfE TPSPB Secretariat	AR
Kathryn Symms	DfE Casework & Correspondence & TPSPB (Secretariat)	KS
Helen Cowan	DfE Secretariat	HC
<b>Apologies</b>		
Sue Crane	DfE Senior Contract Manager	SC
Chris Jones	Member Representative	CJ

	<b>Item</b>	<b>Action</b>
Agenda Item 1	<p><b>Welcome and Apologies:</b></p> <ul style="list-style-type: none"> <li>SA welcomed those in attendance, and accepted apologies from Sue Crane, DfE Contract Manager.</li> <li>The minutes from 24 March 2021 were ratified.</li> </ul>	
Agenda Item 2	<p><b>Actions from the previous meeting:</b></p> <ul style="list-style-type: none"> <li>MR3/240321 Cybercrime - raising awareness to members and employers. SA had attended the earlier IM&amp;C meeting and reported that the Engagement Team had already started their communications work by alerting members and employers through various channels of communication.</li> </ul>	
Agenda Item 3	<p><b>Programme Management &amp; Project Saturation</b></p> <ul style="list-style-type: none"> <li>SA invited AG to give an update on Programme Management and Project Saturation.</li> <li>AG advised that Matthew McNaughton (MM) will be leaving Capita and joining the Department shortly as part of the Supplier Management Team. Matt will initially be providing support to the Department and Capita's Programme Management Offices (PMO) to help ensure continuity and consistency until his replacement is appointed.</li> <li>Recruitment to replace MM is underway, with Richard Giles and AG interviewing candidates next week. The Department will need to agree the appointment and have asked that the 3-month notice period applies to the new appointee. In the meantime, AG will be fulfilling the role.</li> <li>AG confirmed progress had been made in strengthening the control environment in the PMO to mitigate the saturation risk. This includes a Project Support Officer and additional governance to track deliverables and manage risks. More</li> </ul>	

	<p>analysts are due be recruited.</p> <ul style="list-style-type: none"> <li>• There has been good progress in implementing a cultural change. Project sponsor roles have been developed to have more accountability and are championing their own projects.</li> <li>• The PMO continues to work closely with Capita IT to ensure that they are prepared to deal with the increase in demand.</li> <li>• The PMO is developing a shared Programme Plan with the Department to ensure a “single source of the truth”.</li> <li>• AG advised that commercial proposals were on track for Transitional Protection and Goodwin. TP is looking at synergies between the two areas of work to minimise impact and cost, and these will be built into the commercial proposal.</li> <li>• For Transitional Protection casework, the calculation spreadsheet is still being developed, so progress on casework is slower than initially expected. However, the pace is picking up.</li> <li>• For Goodwin, 26 administrators are being trained and they are expected to be fully operational by August.</li> <li>• The Employer Portal’s member search function is well underway and TP is engaging with employers to manage this development.</li> <li>• The Pensions Dashboard Programme has requested data from the TPS. TP is currently checking data integrity and will work with the Capita Group to collate responses ahead of the 9 July deadline.</li> <li>• KA questioned whether Goodwin cases would take until September 2023 to complete. AG advised that based on the volume of cases, average handling times and various efficiencies, it was now envisaged that the work would be completed by August 2023. AG advised that as this work was taking place over a long period of time, there will be robust communications to manage member expectations.</li> <li>• SA queried why some of the projects on the plan did not have a timeline. AG explained that some of the continuous improvement initiatives were paused due to Transitional Protection work taking priority. However, she agreed that an indication of when GMP equalisation work might begin would be added ahead of the Board meeting in July.</li> </ul>	<p>MR1/160621</p>
<p>Agenda Item 4</p>	<p><b>Forward Work Plan Topics:</b></p> <ul style="list-style-type: none"> <li>• <b>MCR</b> - SA invited KB to give an overview of the MCR project.</li> <li>• KB reported that some payroll providers needed a lot of support from his team. TP is ready to begin increasing the onboarding activity again.</li> <li>• It has been agreed that the sub-group that was set up in January to consider MCR-specific data and error rates should be permanent and a ToR has been set up. The group will continue to meet monthly to monitor onboarding and analyse other issues in more granular detail.</li> <li>• The sub-group’s errors’ analysis will feed into Service Delivery Board reporting, though KB was pleased to note that all of the top ten errors were below 1%, apart from one employer error which can be easily resolved.</li> <li>• The next two quarters are crucial to achieving the project timeline, and more employers will soon be issued their</li> </ul>	

	<p>onboarding dates. KB stated that his target - by the end of November - is that 80-90% of employers will be onboarded.</p> <ul style="list-style-type: none"> <li>• Telephone contact with employers is important to the success of this project. Four staff joined the MCR Team between February and April which means that once trained, the team will soon be up to full strength. KB advised that there are around 15 FTE staff in the MCR team.</li> <li>• The Project Team has completed the draft business case for the work required to introduce a direct debit (DD) solution for employers to make their contribution payments. This has been shared with the Department who provided comment and a challenge on funding. These discussions are still underway.</li> <li>• DB enquired whether employers had reservations about the DD solution. KB confirmed that engagement with employers had shown increased interest in the DD facility, but that the process would remain optional for employers. SA agreed this would be of benefit to the TPS.</li> <li>• <b>EOYC</b> – KB advised that employers working remotely had made the EOYC exercise more difficult for employers and for TP to manage. 90% of employers have now returned their EOYC which is good in the circumstances, but TP will need to continue to push employers through the Employer Relationship team to improve the picture. KB explained that by this time of year, he would normally expect to see 95-98% of EOYCs returned.</li> <li>• In Q2 of 2022, the first phase of the risk-based assurance framework will be considered with the aim of easing the burden on employers in providing EOYC certification, if they have demonstrated that they operate robust controls. Rollout of this approach will be dependent on the successful delivery of the MCR programme.</li> <li>• KA questioned if there were sanctions for employers who failed to submit their EOYC. KB advised that they are reported to the Pension Regulator, a similar process for those who do not submit their contributions on time. SA requested that KB included more detail on this in the next quarterly report.</li> <li>• <b>The Annual Commercial Review</b> - PS explained that the annual review brings together the Department's Commercial colleagues with Capita's and the Department's senior TPS managers.</li> <li>• It took place in March, and provided the opportunity to look back at the previous contract year's commercial activity and take a forward look as to what is coming up in the current year.</li> <li>• Monthly commercial meetings provide robust and constructive conversations, but the involvement of commercial specialists and senior managers has improved contract governance.</li> <li>• The review considered various matters, such as charges, profits and Gainshare from both Capita's and the Department's perspective. It also reviewed penalties incurred due to performance.</li> <li>• Consideration of the year ahead included the services to be provided, and especially considered the exit strategy, TUPE staff returns and the revised financial model.</li> </ul>	<p>MR2/160621</p>
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<p>Agenda Item 5</p>	<p><b>Review of Papers 4, 5 &amp; 6</b></p> <ul style="list-style-type: none"> <li>SA briefly summarised discussions from the SD&amp;MoD meeting earlier in the day about bereavements, the contact centre and complaints.</li> <li>AG reiterated that death notifications are going down but are being closely monitored. There has also been some work in considering efficiencies that will not affect the member experience. A review of the resource model is also planned.</li> </ul>	
<p>Agenda Item 6</p>	<p><b>Review of Operational and Strategic Risk Registers</b></p> <ul style="list-style-type: none"> <li>DB commented on the poor performance at SLA 4b &amp; 4c, death benefit payments, noting that this had been the case for some time, referring to OP005.</li> <li>AG noted that SC regularly reviews the data, and that cases sometimes missed the deadline by only a day or so (over the 5-day deadline) which was reassuring to the sub-committee. There has also been some work in considering efficiencies that will not affect the member experience. A review of the resource model is also planned.</li> <li>PS noted that a Cabinet Office directive (Procurement Policy Note 02/20) meant that Capita had been awarded service lets against this SLA and a small number of other SLAs in line with the supplier relief due to COVID-19. Capita were re-routing this relief into overtime on bereavements casework (200 hours per month between February and July).</li> <li>OPO15 – Staff Absence. SA briefly summarised discussions from the SD&amp;MoD meeting earlier in the day about staff absences on the contact centre. There are 33 core staff in the contact centre, but this is currently reduced because 3 staff are away sick, 2 have returned from sick leave on a phased basis and 3 are still in training.</li> <li>KA asked whether minimising internal moves was possible. AG advised that if staff are successful in gaining another role within TP, there is some negotiation of release date, but not to the detriment of staff development and progress. The sub-committee noted the mismatch between the month’s notice required to leave the team, compared with an 8-week training programme.</li> <li>SA briefly summarised discussions from the SD&amp;MoD meeting earlier in the day about the backlog of complaints. AG confirmed TP is reviewing older cases first and sending out holding responses to try to reduce the number of repeat complaints.</li> <li><b>Risk Register</b> - OPO1 - change management - remains at medium; and OPO05 - significant volume increases - remains high.</li> <li>SA noted that there are three top risks around Transitional Protection and Goodwin (OP011, OP014 and OP016) - which was agreed by the sub-committee.</li> <li>EM004 - Assurance of contributions from employers has been increased to medium.</li> <li>KB mentioned progress is being made in securing EOYCs therefore that risk – EM005 – has been reduced to low.</li> </ul>	<p>MR3/160621</p>

	<ul style="list-style-type: none"> <li>• SA suggested that the GO007 - Impact of Brexit on Financial Service - could be removed.</li> <li>• The sub-committee discussed HR01 – Retention and Maintenance of Scheme Knowledge. AG acknowledged that a lot of knowledge is required on the various projects, so ensuring new staff are being trained well has meant the risk is rated medium. A good training programme also ensures that more staff are available to cope with any future attrition.</li> <li>• KA queried how resourcing was addressed across TP - for example, how TP knew the resource was in the right places or whether too many new staff in one team was an issue.</li> <li>• SL also queried whether there was an over-arching approach to staffing, rather than reactive management of absences. AG assured the sub-committee that Capita Group carried out capacity planning, building in holidays, attrition rates and sickness absence. A different group focuses on the Contact Centre.</li> <li>• OPO15 – staff absence remains at medium and the impact of that is being closely monitored by the SD&amp;MoD committee.</li> <li>• SA requested assurance on workforce planning and how the risk is being managed. A short paper was commissioned.</li> </ul>	<p>MR4/160621</p> <p>MR5/160621</p>
<p>Agenda Item 7</p>	<p><b>Finance - Spring Update</b></p> <ul style="list-style-type: none"> <li>• RL provided the Spring update which also provides a reflection on the financial year-end position.</li> <li>• The energy and focus throughout the year in monitoring and managing cash flow forms a central part of the reporting and assurance across the financial year. Overspend by 1p means automatic qualification of the accounts.</li> <li>• At the end of the financial year, income was 0.08% (£6.9m) and expenditure = 0.01% (£1.3m) different to the cash flow forecast.</li> <li>• Monthly reporting has shown larger variances but that has been driven by employer behaviour. The year end result demonstrates effective forecasting (OM13 refers) as the results are well within the agreed tolerances of 1.0% (expenditure) and 0.5% (income).</li> <li>• RL provided an update on the Audit and Accounts.</li> <li>• The interim audit in February had gone well with no issues arising. The final audit commenced on 4 May and all the testing so far is progressing well. Most of the testing has been completed and shared with Deloitte and NAO for review and sign-off.</li> <li>• There have been regular meetings between stakeholders to ensure the audit timetable has been met and any emerging issues can be dealt with or escalated promptly. Deloitte has provided positive feedback on the support provided by TP.</li> <li>• The only issue that has emerged so far is that Deloitte unexpectedly took a different approach to contribution testing, which had not been communicated at any stage of the audit planning process. This involved engaging with a random sample of 45 employers to compare one month's payroll data with TP's records for the same period. Engagement from employers has been difficult because there was no warning of</li> </ul>	

	<p>this. Three employers' data is outstanding which is putting pressure on the timeline, but it is still expected that we will meet the deadline.</p> <ul style="list-style-type: none"> <li>• The draft Accounts have been shared with various stakeholders, including the TPSPB Chair. Some suggested changes from stakeholders will be made in time for the Audit and Risk Committee meeting on 8 July. The Secretary of State will be asked to sign on 9 July, with NAO clearance scheduled to allow the accounts to be laid in Parliament on 21 July.</li> <li>• The Governance statement will be shared with TPSPB members shortly.</li> <li>• The sub-committee acknowledged the good work that has been done and understood that work will be completed well within the statutory timescale.</li> </ul>	MR6/160621
<p>Agenda Item 8</p>	<p><b>Forward Work Plan – Mid-year review of TP’s Group Internal Audit (GIA)</b></p> <ul style="list-style-type: none"> <li>• RL referred to the table at paragraph 125 (page 28) of the quarterly report. He explained that five audits have been scheduled for 2021. Three audits are already completed:</li> <li>• The Payments Out audit recorded one medium finding relating to work instructions, so an action plan to update the work instructions, using a review log, has been implemented.</li> <li>• The IT User Access Management audit found that improvement was required. In 2019, the Capita AAF report identified weaknesses in the IT control environment which had impacted other Capita accounts. A lot of time was spent last year, during the TPS audit, successfully demonstrating to Deloitte and NAO that the bespoke TPS controls are robust.</li> <li>• This GIA follow-up audit confirmed that there was no evidence to suggest inappropriate activity, however two further findings had been identified to strengthen the existing controls. Capita Management has agreed an action plan to address the findings. This will be monitored by the TPS Risk Committee. Findings will also be shared with the Security Working Group for comment.</li> <li>• The Debtors Control Account audit had been commissioned to review audit actions and process improvements identified and implemented as the result of an initial audit into this area in 2020, which identified a mismatch in data on this account between the records held on Hartlink and Acclink.</li> <li>• The latest report opinion considered that significant improvement is required as similar issues were identified on three other (smaller) control accounts.</li> <li>• Increased focus and additional resource is now being directed in this area, and an action plan to resolve the issue has been implemented.</li> <li>• Future Board reporting will include an update on actions.</li> </ul>	MR7/160621
<p>Agenda Item 9</p>	<p><b>Agree whether any individual papers or presentations should be shared with the rest of the Board for information:</b></p> <ul style="list-style-type: none"> <li>• Programme Management Paper – an updated version to be included with Board papers in July.</li> </ul>	MR8/160621

	<b>Three issues to report to the Board:</b> <ul style="list-style-type: none"><li>• Programme Management update</li><li>• Assurance sought on workforce planning</li><li>• Accounting and audit issues</li></ul>	
Agenda Item 10	<b>AOB – None.</b>	
Next meeting	22 September 2021 (by Teams)	

Minutes agreed by Chair: *Susan Anyan* Date: 25 June 2021

Confirmed by circulation to sub-committee members on: 28 June 2021

To be ratified at sub-committee meeting on 22 September 2021