**Managing Risk and Internal Controls Sub-Com Board Meeting:**

**26 September 2018 - MINUTES**

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| **Present:** |  |  |
| Jerry Glazier (chair) | Member Representative | JG |
| David Butcher | Employer Representative | DB |
| Chris Jones | Member Representative | CJ |
| Lee Probert (dialled in) | Employer Representative | LP |
| Dave Wilkinson | Member Representative | DW |
| Neneh Binning | DfE Senior Risk and Finance Manager | NB |
| Kathryn Symms | DfE Policy & Governance team leader | KS |
| John Brown | DfE Policy Manager | JB |
| Fiona Laundy | DfE Secretariat | FL |
| Neil Crombie | TP Head of Policy and Technical Team | NC |
| Matthew McNaughton | TP Risk Management and MCR Project Lead | MM |
| Geoff Ashton (guest) | Independent Pension Specialist | GA |
| Neville Mackay (guest) | TPSPB Chair (Guest) | NM |
| Helen Fisher (observer) | DfE Secretariat |  |
| **Apologies :** None | | |

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|  | **Item** | **Action** |
| Agenda item 1 | **Welcome / Apologies**   * The Chair welcomed all in attendance and introduced Matthew McNaughton (Employer Portfolio Manager, covering risk management) and John Brown (DfE policy lead on valuation). |  |
| Agenda item 2 | **Review previous minutes from 20/06/18**   * The sub-committee agreed that the previous minutes were an accurate record of the meeting held in June. |  |
| Agenda Item 3 | **Actions from the previous meeting**   * MR5/210318 – NC advised that discussions are ongoing with HMRC and HMT regarding GMP reconciliation. It is expected that members affected by GMP rectification would be identified and communicated with in January to March 2019. NC advised that around 20k members might be affected. A small number are likely to be underpaid but the vast majority are likely to have been overpaid. He confirmed the impact on individual members is low and the overall impact on the TPS is small. NC advised that discussions around how to communicate with any affected members are taking place. An update will be given at the next sub-committee meeting. | MR5/210318 |
| Agenda Item 4 | **Review of Dashboard, Overview and Finance, Risk and Audit Report and Monthly Contribution Reconciliation**   * The Chair invited the sub-committee to comment on the Dashboard and report. * NB highlighted that the transition from Restricted Managed Host (RMH) environment to Microsoft Azure has previously been delayed until October due to a network connection issue, which would have caused the project to over run into summer retirements. This decision was taken at QSB to ensure summer retirements were completed efficiently. * NB confirmed that the autumn OBR exercise was completed a week ahead of schedule, with a successful challenge meeting completed. There were a few data questions which were resolved outside of the challenge meeting. Preparation for the Winter OBR exercise will commence in the upcoming months. * NC advised that the volume of casework remains high, meaning there are pressures on TP resources. However, prioritisation is being given to areas such as bereavement. JG shared concerns about reputational damage around operational delivery. * GA raised concerns around delays in reaching agreement to contract changes in response to the increased membership. NC advised that internal discussions on the impact on areas, in particular the quality of service members receive, are taking place and prioritisation is being given to certain areas, as noted above.   **Valuation**   * JB led on valuation by stating that it is unlikely that HM Treasury will make changes to their proposed draft Directions. * It was confirmed that Project Managers (TP and DfE) will be appointed to focus on valuation implementation. * DW highlighted his concerns regarding the increase to the employers’ contribution rate and the impact it will have, particularly the independent and further education sectors. Questions were raised on how to mitigate risks and what are the implications for members and employers. NB will work with TP to map out valuation risks. * JB highlighted that the department will allocate funding to schools starting in 2019. * The sub-committee would like to understand the risks associated with valuation. * CJ highlighted the risk of educational establishments not being able to meet financial agreements which may cause redundancies due to lack of funding available. * A query was raised regarding independent schools, JB advised there will be a consultation on additional funding, to be carried out by the DfE. * DW mentioned the risk facing sixth form colleges who are not protected by fair deal. CJ requested a focus on post 92’ universities and both private and public sector as a whole.   **MCR**   * MM advised that employers will go through a three-month on-boarding process to ensure data is correct and meets the criteria before being accepted. * MM advised that 1:1 workshops and training was being made available to providers to help them understand their roles and responsibilities and that these have been well received. * MM advised that formal project plans are reviewed weekly and fed back at monthly MCR Steering Groups. The Steering Groups also discuss the employer landscape and identify potential risks. * Assurances were given that valuation should not negatively impact MCR. * MM highlighted that information about MCR is on TP’s website. * DW suggested that the Academy Financial Handbook should hold information on providing the scheme with MCR data. | MR1/260918 |
| Agenda Item 5  Agenda Item 5a | **Review of Strategic Risk and Operational Registers:**   * JG opened this item to the sub-committee for discussion. * NB advised that an appetite statement is currently being populated by the department and TP. A draft will go to the Quarterly Strategy Board for review and a draft will be circulated to sub-committee members for further comments. * NC highlighted that, in his view, the three main immediate risks are valuation, GMP rectification and increases in demand driven by membership changes. JR queried how risks are determined and scored. * The department and TP are to determine the top three priority risks and describe how risks are identified, scored and assessed.   **Emerging Risks and Issues Log:**   * NC summarised the horizon scanning for emerging risks paper. Through having a number of sources of information, sharing best practice and regular KiT meetings across each different business area, TP and the DfE aim to identify any emerging risks. Deep dives into future risks and trends between the department and TP also take place to understand and plan for potential emerging risks. * NC advised that regular meetings with other public pension schemes take place to address issues and enable TP to adopt good working practice. * JG requested that horizon scanning remain as part of forward look agenda items for this sub committee. * NM stated that it is helpful to have oversight of forward looks from a departmental and TP point of view. * NM requested that TP and DfE consider whether the risk matrix amber was achieving consistency in different types of risk e.g. operational and policy. * JG highlighted that there is no lack of confidence with the current risk register but it was agreed that the sub-committee might benefit from a deep dive session to help understand the process and scoring behind each risk. NB highlighted that she had provided a paper at the last sub-committee meeting which explained how risks are addressed. * NC advised that it in future meetings, it may be helpful to give a brief summary of each key risk and explain the controls and any actions to mitigate the risk. * JG agreed, noting that projects are process driven and queried whether there is a way to understand the programme arrangments in place to ensure projects are co-ordinated; this could be a potential future topic. * JG to consider the list of deep dive topics outside of this forum. | MR2/260918  MR3/260918  MR4/260918  MR5/260918 |
| Agenda Item 6 | **Update on OBR financial forecast and NAO response**   * NB confirmed that the autumn OBR excercise was completed a week ahead of deadline and advised that, for continuous improvement, the current forecasting model will be reviewed and updated, where appropriate, to meet new developments such as the use of MDC data. * CJ queried current retirement trends and whether flexibilities, such as phased retirement, are becoming more popular. * NC advised that the average age at retirement has increased by around half a year over the past five years and that this trend is consistent between male and female populations. * CJ stated that he has noticed more members asking about phased retirement. NC confirmed the number of phased retirements has remained broadly consistent over recent years. * NC advised that trends continue to be monitored.   **Management Letter**   * NB gave a summary of the management letter, advising that it was a positive reflection on the TPS. In particular, Deliotte on behalf of NAO found all losses adequately disclosed and all payments of benefits proceedures were accurately reported, resulting in a clean audit. * NB confirmed that Data Analytics went well and had enabled the audit to complete a week ahead of schedule. * NB advised that Deloitte had provided feedback on the draft accounts seeking to simplify explanations and ensure the reader could understand the document clearly. * It was assured that TP has action plans in place for IT controls which will be formally closed once the IT environment has moved from RMH to Microsoft Azure. * JG advised that it would be helpful to compare this letter in 2019 and view historical issues. | MR6/260918 |
| Agenda item 7 | **Annual Resource Accounts 2019**   * NC highlighted that one of the aims of Deloitte’s analytics approach is to review as many retirments as possible. The level of queries received from Deloitte on the cases investigated was low. * NC advised that TP and the department are happy that this went well. * NC confirmed that improvements to phase 1 of the analytics approach was looking possible and that this might significantly increase the number of cases that could be sent to Deloitte for analysis. However, phase 2 to include the more complex casework would require significant time and resource to develop. * DB queried why Deloitte tests large amounts of data and NB highlighted that this approach will become more common as auditing practice. |  |
| Agenda Item 8 | **Internal Audit Plan**   * NB advised that she will be working with TP to map out a plan of the internal audit plan and that this will be shared with the sub-committee for comments, before finalised. * It was advised that the final draft will be submitted in December and that sub-committee members will therefore need to review this outside of meetings during the Autumn period. | MR7/260918 |
| Agenda Item 9 | **Agree Key Issues from the Meeting / Report to highlight at the next TPSPB meeting**   * It was agreed that key issues to raise to the TPSPB are: * Deep Dive * Valuation (risks and resources) * MCR | MR8/260918 |
| Agenda Item 10 | **AOB**   * No further comments |  |
| Next meeting | 12 December 2018, TP, Lingfield Point, Darlington |  |

Minutes agreed (Chair):  Date: 03/10/2018

Confirmed by circulation to sub-committee members on: 08/10/2018

Ratified at sub-committee meeting 12 December 2018.