

Standards – Guidance and Examples

Operational Controls and Procedures

Standard

3.4 Controls Assurance

PASA expects a fully documented, robust controls assurance programme to be in place and regularly reviewed for effectiveness and relevance.

Rationale

Independent controls assurance activities evidence the controls environment in existence and the organisation's compliance with that control environment.

General Principles

PASA believes that a robust and effective controls environment is essential to support the delivery of a high-quality administration service.

PASA understands that, while a variety of independent controls assurance activities may be undertaken, the key to this process is to ensure that whatever activities are undertaken the results are considered at an appropriate level and lead to actions within the business that result in measured continuous improvement in the operation of the control environment.

Outcomes

Governing bodies¹ can be assured that the key aspects of the control environment operate effectively.

¹ Governing Bodies should include, as appropriate, Trustees, Trustee Boards, Governance Committees and Boards and others charged with the oversight of the administration service delivery

Measures/Evidence

- A documented, risk based controls assurance programme operates in relation to the administration (including those in relation to any services which are outsourced to any third party);
- The assurance programme contains a schedule of work to be carried out by individuals independent of the administration service (this may be influenced by the scope of work of any external auditor, for example in relation to an AAF report or it may be carried out by another department within the sponsoring employer's business);
- The results of controls assurance investigations are reported internally to an audit committee (within a TPA) and by exception to the governing body in accordance with the PASA Reporting Standard.

Note that an independently audited AAF report may be sufficient evidence of the effective operation the control environment (subject to a review of the scope and limitations of the audit work), i.e., the accreditation process may conclude that it can rely on the AAF report in some areas.

Application to TPAs and Accreditation Approach

While AAF 01/06 is seen as good evidence of a strong control environment PASA does not expect all administrators to undergo independent audit of their controls under AAF 01/06. However, where such independent assessment is not undertaken PASA will expect to see evidence of a robust control environment covering:

- Client take on;
- Client management;
- Systems;
- Data protection;
- Cash management;
- Client agreements;
- Bank authorities;
- Client authorities;
- Operational controls;

- Change management;
- Calculation specification and change control;
- Staff competency and training and development.

Accreditation Approach

The accreditation team will:

- Understand, through interviews and reviewing documentation, what the independent review process covers;
- Look for evidence that the review process has been applied;
- Look for evidence that any issues identified as a result of the review process have been acted upon;

In respect of any outsourced services the team will expect to see evidence that an appropriate controls review process exists in the appointed organisation and is reported on to the delegating organisation.

Application to In-House Teams and Accreditation Approach

While AAF 01/06 is seen as good evidence of a strong control environment, PASA does not expect all administrators to undergo independent audit of their controls under AAF 01/06. However, where such independent assessment is not undertaken PASA will expect to see evidence of a robust control environment covering

- Client take on;
- Client management;
- Systems;
- Data protection;
- Cash management;
- Client agreements;
- Bank authorities;
- Client authorities;
- Operational controls;

- Change management;
- Calculation specification and change control;
- Staff competency and training and development.

Accreditation Approach

The accreditation team will:

- Understand, through interviews and reviewing documentation, what the independent review process covers;
- Look for evidence that the review process has been applied;
- Look for evidence that any issues identified as a result of the review process have been acted upon;

In respect of any outsourced services the team will expect to see evidence that an appropriate controls review process exists in the appointed organisation and is reported on to the delegating organisation.

Application to Master Trusts and Accreditation Approach

While AAF 01/06 and 02/07 are seen as good evidence of a strong control environment PASA does not expect all administrators to undergo independent audit of their controls under AAF 01/06. However, where such independent assessment is not undertaken PASA will expect to see evidence of a robust control environment covering:

- Client take on;
- Client management;
- Systems;
- Data protection;
- Cash management;
- Client agreements;
- Bank authorities;
- Client authorities;
- Operational controls;

- Change management;
- Calculation specification and change control;
- Staff competency and training and development.

Accreditation Approach

The accreditation team will:

- Understand, through interviews and reviewing documentation, what the independent review process covers;
- Look for evidence that the review process has been applied;
- Look for evidence that any issues identified as a result of the review process have been acted upon;

In respect of any outsourced services the team will expect to see evidence that an appropriate controls review process exists in the appointed organisation and is reported on to the delegating organisation.

Application to Annuity Providers and Accreditation Approach

While AAF 01/06 is seen as good evidence of a strong control environment PASA does not expect all administrators to undergo independent audit of their controls under AAF 01/06. However, where such independent assessment is not undertaken PASA will expect to see evidence of a robust control environment covering:

- Client take on;
- Client management;
- Systems;
- Data protection;
- Cash management;
- Client agreements;
- Bank authorities;
- Client authorities;
- Operational controls;

- Change management;
- Calculation specification and change control;
- Staff competency and training and development.

Accreditation Approach

The accreditation team will:

- Understand, through interviews and reviewing documentation, what the independent review process covers;
- Look for evidence that the review process has been applied;
- Look for evidence that any issues identified as a result of the review process have been acted upon;

In respect of any outsourced services the team will expect to see evidence that an appropriate controls review process exists in the appointed organisation and is reported on to the delegating organisation.

Timelines

PASA expects this control environment and procedures to be in place with immediate effect.