



ASSURANCE REPORTING ON RELEVANT TRUSTEES (Relevant Trustee Supplement to ICAEW AAF 02/07)

TECHNICAL RELEASE 04/13 AAF

Last updated April 2013

Note to users

This technical release was issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales in April 2013.

The applicable assurance framework for this technical release is ISAE 3000 (Revised), International Standard on Assurance Engagements: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

In July 2020 the Financial Reporting Council (FRC) published [International Standard on Assurance Engagements \(UK\) 3000: Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information](#). This standard is mandatory for public interest assurance engagements specified by the FRC and voluntary for other assurance engagements, including engagements done in line with TECH 04/13 AAF. This technical release does not currently reflect the revised standard, but for more information about it, please visit icaew.com/ISAEUK3000

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)20 7920 8100 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

The ICAEW Audit and Assurance Faculty is a leading authority on external audit and other assurance activities and is recognised internationally as a source of expertise on audit issues. It is responsible for ICAEW technical audit and assurance leadership and provides a range of information sources to its members which gives practical assistance in key audit and assurance areas.

ICAEW connects over 157,800 chartered accountants worldwide, providing this community of professionals with the power to build and sustain strong economies. Our profession is right at the heart of the decisions that will define the future, and we contribute by sharing our knowledge, insight and capabilities with others. That way, we can be sure that we are building robust, accountable and fair economies across the globe.

© ICAEW 2021

All rights reserved.

If you want to reproduce or redistribute any of the material in this publication, you should first get ICAEW's permission in writing.

Laws and regulations referred to in this ICAEW Technical Release are stated as at [1 February 2013]. Every effort has been made to make sure the information it contains is accurate at the time of creation. ICAEW cannot guarantee the completeness or accuracy of the information in this ICAEW Technical Release and shall not be responsible for errors or inaccuracies. Under no circumstances shall ICAEW be liable for any reliance by you on any information in this ICAEW Technical Release.

FOREWORD

This Supplement is intended to assist the development of good practice by ‘Relevant Trustees.’ These are trustees, who as part of their business as a trustee, offer pensions trustee services in relation to trust schemes and who either are on the Trustee Register or adopt this framework voluntarily.

The Supplement is effective from 31 March 2013. Assurance reporting on Relevant Trustees will generally cover a period of time, although in certain circumstances may relate to a point in time. See paragraph 4 of the guidance for a discussion of the two subject matter options underlying these two outcomes.

It sets out what is expected from assurance reports provided by independent practitioners on specified control procedures over a Relevant Trustee’s administrative and accounting procedures in relation to its own business operations for providing pensions trustee services. The control procedures are assessed in the light of control objectives that are set out in this Supplement.

CONTENTS

Introduction	4
Independent assurance reporting	4
Assurance reporting on relevant trustees	6
About this Supplement.....	6
Assurance reporting on the control procedures over administrative and accounting procedures.....	6
Assurance report	10
Reporting on description misstatements, design deficiencies or when control procedures are not operating effectively	11
Appendix 1	12
Principles and related control objectives on ‘sound administrative and accounting procedures’	12
Appendix 2.....	16
Example paragraphs from the report by the Relevant Trustee	16
Appendix 3.....	17
A pro forma practitioner’s assurance report on the internal control procedures of Relevant Trustees	17
Glossary	21

INTRODUCTION

The Occupational Pension Schemes (Independent Trustee) Regulations 2005¹ require the Pensions Regulator (the Regulator) to compile and maintain a register of Relevant Trustees that satisfies certain legislative conditions² (the Trustee Register). These conditions are that the applicant:

- has sufficient relevant experience of occupational pension schemes;
- is a fit and proper person to act as a Trustee of an occupational pension scheme;
- operates sound administrative and accounting procedures; and
- has adequate indemnity insurance cover.

The Trustee Register has been in place since 2005 and the Regulator may use it to appoint a trustee to pension schemes ‘usually, on expedient or protective grounds, to ensure that the scheme is properly administered and the members protected when its employer is insolvent’³. Both individual and corporate trustees may apply to be on the Trustee Register. To do so is voluntary and being on the Trustee Register does not guarantee appointments⁴.

In December 2009, the Regulator consulted and subsequently introduced changes to how it assesses some of the conditions for inclusion on the Trustee Register. These changes were proposed to ‘reflect the Regulator’s experience of the trustee sector and aim to ensure that best practice and standards are increased and maintained by Trustees on the Trustee Register’⁵.

Independent assurance reporting

This Supplement relates to one of the conditions mentioned above: to ensure that a trustee operates ‘sound administrative and accounting procedures.’ As part of demonstrating compliance with this condition to be on the Register, the Regulator requires a Relevant Trustee to:

- prepare an annual report on the trustee’s administrative and accounting procedures; and
- obtain an independent assurance report from a practitioner on the trustee’s report.

Assurance reports are, therefore, intended to become part of the Regulator’s process to assist in its checking that a Relevant Trustee operates sound administrative and accounting procedures, in relation to its own business operations for providing pensions trustee services, when it seeks to be on the Trustee Register. However, it is open to any trustee offering pensions trustee services to adopt this framework regardless of whether it is applying to be on or is on the Trustee Register.

In this Supplement, all these trustees who adopt the framework set out in this Supplement are referred to as ‘Relevant Trustees’⁶.

The Relevant Trustee Supplement to AAF 02/07 *A framework for assurance reports on third party operations* has been written to assist Relevant Trustees to obtain an independent assurance report over their administrative and accounting procedures.⁷

The guidance contained in AAF 02/07 provides a framework within which third party operations provide information on transactions, operations or arrangements that have been applied in the provision of outsourced services and reporting accountants provide independent assurance reports on the third party operations.

The Regulator initially referred in its consultation to the proposed use of AAF 01/06 *Assurance reports on internal controls of service organisations made available to third parties*. In contrast, AAF 02/07 sets out high-level guidance for practitioners who provide assurance reports on services and operations provided by expert third parties.

¹ SI 2005/703.

² See section 23(4) of the Pensions Act 1995 (the Act) and regulation 3(b)(iii) of SI 2005/703.

³ *Consultation on the Pension Regulator’s Trustee Register*, the Pensions Regulator, December 2009. p.4.

⁴ For further information, see <http://www.thepensionsregulator.gov.uk/Trustees/about-the-Trustee-register.aspx>.

⁵ See footnote 5, p. 3.

⁶ www.thepensionsregulator.gov.uk/Trustees/assurance-reporting-framework.aspx

⁷ AAF 02/07 is available from www.icaew.com/~media/Files/Technical/Audit-and-assurance/assurance/tech-release-aaf-02-07.pdf

The subject matter of the assurance reporting consists of the administrative and accounting procedures of Relevant Trustees. These procedures relate to the Relevant Trustee's own business operations for providing pensions trustee services. The subject matter for such reporting needs to be identifiable and capable of consistent measurement or evaluation against the applicable criteria. There needs to be sufficient and appropriate evidence to support an assurance conclusion.

Relevant Trustees and practitioners providing assurance reports need to separately examine three aspects of administrative and accounting processes: description, design and operating effectiveness. In the first year of reporting, Relevant Trustees who are included on the Trustee Register may agree with the Regulator to limit the scope of their report to description and design only.

Suitable criteria for use by Relevant Trustees and by practitioners in evaluating the control procedures of a Relevant Trustee's administrative and accounting procedures have been developed by the ICAEW in conjunction with the Regulator in the form of illustrative control objectives which are set out in Appendix 1 of the Supplement.

The control objectives are accompanied by principles that the Regulator developed to provide the context and to facilitate consistent application of control objectives.

However, ultimate responsibility to ensure the sufficiency of the control objectives remains with Relevant Trustees and they may add further objectives and supporting control procedures where they consider it appropriate. The Relevant Trustee should be able to demonstrate why its control procedures are reasonable and proportionate given both the extent of its trustee service and the size of its overall business operations, and the extent to which their trustee appointment is undertaken alongside other trustees, as trustee appointments vary and sometimes there will be other trustees on the trustee body. The control objectives are, therefore, intended to be considered in each context. Further guidance on this is available in paragraphs 23 to 27.

ASSURANCE REPORTING ON RELEVANT TRUSTEES

About this Supplement

1. This Relevant Trustee Supplement provides guidance on assurance reporting on the Relevant Trustee's internal control procedures (control procedures). When the Relevant Trustee is intending to be included on the Regulator's Trustee Register, the Regulator uses the assurance report to help consider the Relevant Trustee's compliance with its condition that the Relevant Trustee has 'sound administrative and accounting procedures in place'⁸.
2. The guidance supplements ICAEW Technical Release AAF 02/07 A framework for assurance reports on third party operations. The development of the guidance reflects discussions held between the Audit and Assurance Faculty of ICAEW and the Regulator. The Audit and Assurance Faculty will keep this Supplement under review.
3. AAF 02/07 provides a framework for performing assurance engagements on various aspects of business relations that are undertaken between organisations including outsourced services. The principles underlying the guidance are broadly applicable to Relevant Trustees. It is the Relevant Trustee who is responsible for putting in place and maintaining control procedures designed to operate 'sound administrative and accounting procedures' related to Relevant Trustees' own business operations for providing pensions trustee services⁹. While this Supplement refers to specific sections of AAF 02/07, this does not replace the need to read AAF 02/07 in its entirety and apply it as appropriate.
4. The subject matter of the assurance reporting envisaged by this guidance may be either:
 - a) the description and design of control procedures of the Relevant Trustee only at the point in time specified; or
 - b) the description and design of the control procedures at a point in time, and their operating effectiveness over a period of time. The guidance that follows generally assumes that the report will cover a period of time, but with respect to inclusion on the Trustee Register the Regulator may agree a report on control procedures at a point in time as an alternative, for example when preparing a report for the first time.
5. The Relevant Trustee Supplement consists of:
 - Assurance reporting on the control procedures over administrative and accounting procedures;
 - Guidance for practitioners;
 - Appendix 1: Principles and related control objectives on 'sound administrative and accounting procedures';
 - Appendix 2: Example paragraphs from the report by the Relevant Trustee; and
 - Appendix 3: Pro forma practitioner's assurance reports on the internal control procedures of the Relevant Trustee.

Assurance reporting on the control procedures over administrative and accounting procedures

The responsibility of Relevant Trustees

6. To be considered for acceptance on, or to remain on, the Trustee Register, the Regulator requires Relevant Trustees to seek an independent assurance report on their control procedures. Relevant Trustees evaluate their control procedures regarding their administrative and accounting procedures by reference to the control objectives set out for each Principle in Appendix 1 to this Supplement¹⁰.

⁸ Section 23(4) of the Pensions Act 1995 and the Occupational Pension Schemes (Independent Trustee) Regulations 2005 (SI 2005/703) (the Regulations).

⁹ Means 'the work as a Trustee carried out by the applicant in relation to trust schemes', regulation 1(2) of the Regulations

¹⁰ Developed in 2011. For further information, see the discussion on p. 11.

7. Relevant Trustees who voluntarily adopt this framework and who are not seeking to be on the Trustee Register should identify which of the control objectives set in Appendix 1 to this Supplement apply.

Assurance reporting on Relevant Trustee's administrative and accounting procedures

8. The IAASB Assurance Framework, on whose principles ISAE 3000 and AAF 02/07 are based, sets out five elements of an assurance engagement. These five elements are:
 - A three party relationship;
 - An appropriate subject matter;
 - Suitable criteria;
 - Sufficient appropriate evidence; and
 - A written assurance report in the form appropriate to the type of assurance engagement.
9. Certain aspects of these elements are likely to require specific consideration in the context of this Supplement. These are three party relationship, an appropriate subject matter and suitable criteria and are discussed below.

Three party relationship

10. Assurance engagements involve three parties: a responsible party, intended users, and a practitioner.

Responsible party

11. The responsible party performs operations or provides information for the benefit of the intended user and hence is responsible for the subject matter over which assurance is sought. The responsible party is the Relevant Trustee in the context of this Supplement. Relevant Trustees are responsible for their administrative and accounting procedures.
12. The Relevant Trustee prepares a written report setting out its responsibilities and describing the control procedures in place to support the control objectives set out in this Supplement. The report also includes the Relevant Trustee's conclusion on the description, design and, if applicable, operating effectiveness of those control procedures. When making this statement in their report, the Relevant Trustee states that it is referring to at least all of the control objectives in this guidance and whether their statement is made in connection with the Relevant Trustee's application to be on or to remain on the Trustee Register.
13. Example paragraphs from an illustrative Relevant Trustee's report are set out in Appendix 2.

Intended users

14. The intended users of an assurance report are typically the recipients of services, relating to assets or information of the responsible party.
15. For a Relevant Trustee, who is applying to be or wishes to remain on the Trustee Register, the intended user is the Regulator. Those Relevant Trustees need to be aware that the control objectives and supporting control procedures are designed to assist the Regulator in assessing whether Relevant Trustees have 'sound administrative and accounting procedures'¹¹, in relation to their own business operations for providing pensions trustee services, and communicate the fact to the practitioner. It is for this reason that the Regulator expects that the assurance report, for these purposes, covers all of the control objectives in Appendix 1.
16. Relevant Trustees might alternatively, or in addition, intend to allow a third party (other than the Regulator) to have sight of the report or might do so at a later date. In these circumstances, the purpose of reporting by the Relevant Trustee on its control objectives and supporting control procedures may be to enhance the confidence of management over their

¹¹ See *Background of Consultation* paper, p.4.

procedures related to administrative and accounting procedures or to increase the confidence of current and possibly prospective users.

17. The Relevant Trustee communicates to the practitioner the purpose of its report and the associated assurance reporting need.

Practitioner

18. The practitioner performs the assurance engagement on the Relevant Trustee's reporting on their control procedures. Relevant, generic guidance for the practitioner is set out in AAF 02/07 in the section entitled *(a) Engagement with the responsible party within Third party operations* (paragraphs 13 – 15) and *Where the responsible party is the client in AAF 02/07* (paragraphs 58 - 61). If using this Supplement for different purposes, practitioners consider AAF 04/06 *Assurance engagements: Management of risk and liability* to determine a suitable form of engagement accordingly. Further guidance for the practitioner is set out in the next section.
19. The intended user is the Regulator where the Relevant Trustee is going to submit a copy of the assurance report to the Regulator when it applies to be or seeks to remain on the Trustee Register. The practitioner needs to clarify if there is any additional purpose for which the assurance report is being sought, the potential party (or parties) seeking to benefit from the assurance report, and the use that may be made of the assurance report and refer to considerations set out in paragraph 15.
20. When requested to provide an assurance report to other third parties, the practitioner needs to clarify the purpose for which the assurance report is being sought, the party (or parties) seeking to benefit from the assurance report, and the use that will be made of the assurance report.

Subject matter

21. The subject matter in assurance reporting envisaged in this Supplement is the control procedures related to the Relevant Trustee's administrative and accounting procedures in relation to its own business operations for providing pensions trustee services. The Relevant Trustee prepares a written report describing the control procedures it has designed and implemented to deliver its pension trustee services for a given period (or at a given date, if applicable), having regard to appropriate criteria including the control objectives set out in this Supplement and any other control objectives deemed relevant to administrative and accounting procedures by the Relevant Trustee.
22. Not all of the Relevant Trustee's business needs be considered when evaluating whether the Relevant Trustee's control procedures meet the control objectives. It is sufficient for the control procedures (including those in place across the whole business) to be considered to the extent they are relevant to the control objectives that relate to the Relevant Trustee's own business operations for providing pensions trustee services.
23. The control objectives specified in Appendix 1 are intended to be a minimum set of control objectives for inclusion in the Relevant Trustee's report. Exceptionally, the Relevant Trustee may decide not to include a particular control objective. This could occur when the control objective and all the related control procedures are outsourced, or where administrative services of the Relevant Trustee's own business operations are outsourced. Under these circumstances the Relevant Trustee should seek to obtain an appropriate assurance report from the service organisation to which it has outsourced these services. This assurance report would form part of the evidence of the Relevant Trustee's monitoring of those outsourced activities to demonstrate that it operates 'sound administrative and accounting procedures'.

Criteria

24. The control objectives in Appendix 1 are considered to be suitable criteria for the evaluation of whether the Relevant Trustees have 'sound administrative and accounting procedures'. The practitioner will make this evaluation in so far as the procedures are relevant to the

control objectives which relate to Relevant Trustee's own business operations for providing pensions trustee services.

25. Control objectives:
 - need to be relevant, complete, reliable, neutral and understandable so as to communicate the basis of the evaluation;
 - need to collectively reflect the level of control of the Relevant Trustee to satisfy the conditions set out in the relevant regulation for those Relevant Trustees who would like to be admitted on to the Regulator's Trustee Register; and
 - are guidance only and not intended to be exhaustive and it remains the responsibility of the Relevant Trustee to ensure that the control objectives that it describes are sufficient to satisfy the conditions and to add further objectives and supporting control procedures where appropriate. If certain criteria do not apply to a Relevant Trustee, for example because the relevant activities are outsourced, the Relevant Trustee explains the omission of the criteria in the Relevant Trustee's report.
26. The Relevant Trustee describes control procedures for a complete set of associated control objectives that are developed based on the criteria in Appendix 1. If the exceptional circumstances described in paragraphs 22 apply, the Relevant Trustee should explain the nature and reason for any omission in its report, and describe the functions and nature of the activities performed by the service organisations.
27. Where the Relevant Trustee does not cover all of the control objectives, the practitioner will note this in the assurance report. If there are omissions or misstatements with regard to the control objectives, in particular in the report by the Relevant Trustee who wishes to be on the Trustee Register, the practitioner asks them to amend the description. If it is not amended the practitioner will need to state that fact in the assurance report.
28. The Relevant Trustee is responsible for providing information on specific control procedures in place to meet the control objectives. Suitable control procedures will vary from Relevant Trustee to Relevant Trustee; therefore, the disclosure of how each objective is addressed by a Relevant Trustee should be unique to the Relevant Trustee.
29. The Relevant Trustee explains in its report and to the practitioners how its control procedures relate to the control objectives for the provision of its own business operations supporting its provision of pensions trustee services. The Relevant Trustee should be able to demonstrate why its control procedures are reasonable and proportionate given both the extent of its pensions trustee services and the size of its business.
30. The subject matter of the independent assurance required by the Regulator is the control procedures over administrative and accounting procedures as they apply to the overall business operations of each Relevant Trustee, and not the control procedures applied on a scheme by scheme basis. Furthermore, the Regulator expects that all Relevant Trustees seeking to go on the Trustee Register have procedures designed and documented to address each of the control objectives.
31. It is possible that in some cases the Relevant Trustee may not have previously documented the procedures to meet certain control objectives because there has never been an occasion to put them into practice. For example, it is easy to see the necessity for procedures to support control objective 6 (a documented policy for identifying, managing and monitoring actual, potential and perceived conflicts of interest for those appointments) where the Relevant Trustee is solely responsible for managing conflicts. However, if the Relevant Trustee is appointed as one of a number of trustees, it is unlikely that they will be acting alone in the management of conflicts. Due to the absence of a need, the Relevant Trustee with no sole appointments, therefore, might never have reason or opportunity to draft its own documented procedures for the management of conflicts. Notwithstanding this, the Regulator requires, for the purposes of being on the Trustee Register, that the Relevant Trustee still design and document procedures to meet all of the control objectives. This applies even in situations where a Relevant Trustee might not have previously needed or currently need to put procedures in place to meet these control objectives.

32. By contrast, if a Relevant Trustee is an individual operating as a sole practitioner it may be necessary to set up mutual support arrangements with others offering pensions trustee services in order to comply with all of the control objectives listed in Appendix 1. Further guidance on the control objectives can be found on the Regulator's website.¹²

Other information provided by Relevant Trustees

33. Relevant Trustees may include in their report information that is not a part of the description of control objectives and procedures that relate to 'sound administrative and accounting procedures' and relate to Relevant Trustees' own business operations for providing pensions trustee services. If Relevant Trustees include other information, they should make it clear that this information would be outside the scope of assurance reporting unless there is a specific agreement with the practitioners in the engagement letter that it should be included.

Evidence gathering

34. Where the practitioners are unable to test a described control procedure because, for example, it has not operated during the year, they state the fact that no tests have been carried out and the reason in their description of tests.
35. In some cases (as mentioned above), for example in the first year of implementation, it may be appropriate that the scope of the assurance report by the practitioners may cover only the description and design of the procedures of the Relevant Trustees at the point in time specified. An example of such a report is available in Appendix 3(b).

Guidance for practitioners

36. Practitioners refer to the principles set out in AAF 02/07. The role of practitioners in the assurance reporting framework envisaged in AAF 02/07 is set out in paragraphs 29 to 32.
37. Practitioners refer to the section entitled *Guidance for practitioners* (paragraphs 46 to 105) and apply them as appropriate to the engagement. In particular, practitioners understand and agree the scope and purpose of the assurance engagement between the parties to the engagement as set out in the sub-section entitled *Agreeing the terms of engagement*, and in doing so refer to AAF 04/06 *Assurance engagements: Management of risk and liability* discussed in paragraph 57 of AAF 02/07.
38. Practitioners note that they are governed by ethical and quality control requirements as set out in paragraphs 51 to 56.

Assurance report

39. Practitioners conclude on the fairness of the description and the design and, where applicable, operating effectiveness of control procedures in relation to a specified reporting period. The practitioner's conclusion is expressed in a written assurance report attached to the Relevant Trustee's report.
40. The assurance report reflects the agreement set out in the engagement letter. The report makes it clear for whom it is prepared and who is entitled to rely upon it and for what purpose as established in accordance with AAF 04/06.
41. Control procedures have inherent limitations and accordingly errors and irregularities may occur and not be detected. Also control procedures cannot guarantee protection against fraudulent collusion especially on the part of those holding position of authority or trust. Practitioners refer to such inherent limitations in their report.
42. Pro-forma practitioners' assurance reports on the internal control procedures of Relevant Trustees is available in Appendices 3 (a) and (b).

¹² www.thepensionsregulator.gov.uk/trustees/assurance-reporting-framework.aspx

Reporting on description misstatements, design deficiencies or when control procedures are not operating effectively

43. Practitioners discuss with the Relevant Trustee when they become aware that the control objectives in place are not in accordance with those set out in paragraph 24 so that the Relevant Trustee may amend the description to include the specified control objective(s). If the Relevant Trustee does not do so the practitioners add an explanation in the assurance report identifying the omitted or inappropriate control objective(s) to draw the attention of the relevant users. In addition, the wording of the conclusion paragraph may also be modified.
44. Although practitioners may qualify their conclusion on the fairness of the description of control procedures, this does not necessarily affect the suitability of design or, where applicable, operating effectiveness of the control procedures because the practitioners' conclusion relates only to the control objectives that are included in the Relevant Trustee's description. Practitioners note that it is the responsibility of the Relevant Trustee and not the practitioners to ensure the completeness and the reasonableness of control procedures over the 'sound administrative and accounting procedures.'
45. Where control procedures associated with stated control objectives are incomplete or inappropriate, practitioners also discuss this with the Relevant Trustee so that the Relevant Trustee may amend the description to include the associated control procedures. If the Relevant Trustee does not amend the description, the practitioners add an explanatory paragraph preceding the conclusion to the report identifying the omitted or inappropriate control procedures to draw the attention of the users of the report. In addition, the wording of the conclusion paragraph may be modified.
46. Where practitioners conclude that a set of control procedures are not suitably designed in relation to a specified control objective, they consider the design deficiencies in their overall assessment of the control procedures. If the practitioners determine that control procedures are not suitably designed to achieve a specified control objective, they add an explanatory paragraph preceding the conclusion to the report identifying the design deficiencies and modify the conclusion.
47. Where practitioners' tests identify exceptions to the operating effectiveness of the control procedures, they consider whether this exception means that a control objective has not been achieved. In some cases deficiencies may be so pervasive that the practitioners modify their conclusion on the achievement of one or more control objective or issue an adverse opinion.
48. Where significant changes are introduced during the period covered in the report, the Relevant Trustee reports this fact. If practitioners become aware that the description on changes is missing, they request the Relevant Trustees to amend the description. However, the omission of information related to changes in the Relevant Trustee's control procedure does not warrant a qualification of the conclusion on the fairness of the description, provided that the Relevant Trustee's description of control procedures is fair as at the date of the description.
49. To ensure clarity for readers, when adding an explanation or modifying the assurance conclusion, practitioners should consider the context of the assurance report and the impression given by any additional information provided by the Relevant Trustee in its own report (additional information not covered by the assurance report, as discussed in paragraph 32).

APPENDIX 1

Principles and related control objectives on ‘sound administrative and accounting procedures’

This Appendix sets out detailed control objectives for Relevant Trustees referred to in paragraph 6 which relate to the Relevant Trustees own business operations for providing pension trustee services.

Control objectives are accompanied by principles. These principles were developed by the Regulator for the purpose of providing the context and facilitating the application of control objectives in the light of ‘sound administrative and accounting procedures’ in individual circumstances.

These control objectives are not intended to be exhaustive, and it remains the responsibility of the Relevant Trustee to ensure that the described control objectives (including any additional objectives used) are sufficient to meet the requirement to have ‘sound administrative and accounting procedures.’

The Relevant Trustee’s control procedures should be evaluated against the control objectives to the extent that the Relevant Trustee considers that they are relevant to their provision of pension trustee services. The scope of assurance reporting is determined accordingly.

A - ACCEPTING BUSINESS

(i) Principle: The Relevant Trustee ensures adequate processes are in place to assess the suitability of new engagements prior to taking on new business. This would include a recorded assessment and evaluation of key risks associated with new engagements including the ability of the Relevant Trustee to competently service this new work and fulfil statutory duties.

Control objective

1. Prior to accepting a new trustee appointment the risks associated with the appointment are identified, recorded, and assessed having regard to the issues facing the pension scheme, which is the subject of the appointment, given its size and complexity.

(ii) Principle: The Relevant Trustee is able to demonstrate that they have sufficient knowledge and skills to ensure that, upon appointment, the scheme is administered in accordance with the Trust Deed and Rules and other regulatory requirements.

Control objective

2. Trustee appointments are accepted where the Relevant Trustee has identified and concluded that it has the sufficient level of knowledge and skill required for the trustee appointment, and has documented the steps taken in reaching that conclusion. Continuing suitability of all trustee appointments are monitored.

B - KEY INDIVIDUALS

(iii) Principle: The Relevant Trustee maintains adequate procedures to ensure that roles, responsibilities and duties of Key Individuals are documented and their ongoing performance is subject to periodic quality reviews.

Control objective

3. Roles, responsibilities and duties of Key Individuals are documented and subject to ongoing performance review.
4. Business decisions are identified, evaluated, managed and monitored. They are recorded, properly authorised and reviewed by someone other than the decision-maker. This review is recorded.

(iv) Principle: The Relevant Trustee maintains adequate procedures for identifying, monitoring and managing conflicts of interest that could affect decision-making or any potential trustee appointments.

Control objective

5. Business conflicts of interest are identified, recorded and addressed in accordance with a defined policy.
6. The Relevant Trustee has a documented procedure for trustee appointments, which includes a documented policy for identifying, managing and monitoring actual, potential and perceived conflicts of interest for those appointments.

(v) Principle: The Relevant Trustee develops and maintains adequate arrangements to minimise disruption in the event that a Key Individual is not able to fulfil his/her role due to periods of absence.

Control objective

7. Documented contingency plans are in place and are implemented should a Key Individual be absent.

(vi) Principle: The Relevant Trustee maintains adequate procedures, including management information systems, for capturing and reporting information which must be notified to the Regulator.

Control objective

8. Notifications to the Regulator, including changes to Key Individuals, and periodic information returns are accurately compiled and submitted on a timely basis.

(vii) Principle: The Relevant Trustee maintains adequate procedures for maintaining pensions knowledge and managing training requirements.

Control objective

9. Training is conducted and training records are maintained for Key Individuals (as well as those providing services with respect to trustee appointments) in accordance with a documented training policy.

C - ADMINISTRATIVE AND ACCOUNTING

(viii) Principle: The Relevant Trustee has a formal process for selecting and appointing its own legal advisers and other professional service providers and a suitable set of criteria to assist the appointment process.

Control objective

10. The appointment of legal advisers and other professional service providers by the Relevant Trustee is subject to a documented approach including selection criteria and an authorisation process.

(ix) Principle: The Relevant Trustee maintains a formal process for monitoring all advisers which must include an ongoing assessment of the quality of legal advice and other professional services provided.

Control objective

11. The Relevant Trustee has a documented procedure for trustee appointments to monitor on an annual basis legal adviser's and other professional service providers' performance and compliance with contractual terms.
12. The Relevant Trustee has a documented procedure with respect to trustee appointments for monitoring investment performance annually, having regard to the Statement of Investment Principles and investment mandates.

(x) Principle: The Relevant Trustee maintains adequate financial management controls which ensure proper books and records are maintained and kept up-to-date.

Control objective

13. Fees charged by legal advisors and other professional service providers to the Relevant Trustee and fees charged by the Relevant Trustee to clients with respect to scheme appointments are accurately calculated in accordance with the terms of appointment, suitably authorised and recorded on a timely basis.
14. The Relevant Trustee has a documented procedure for trustee appointments to obtain scheme accounts (or other forms of summarised financial information) for the pension schemes from service providers on a regular basis in a timely manner.
15. The Relevant Trustee's own records relating to the provision of trustee related services are accurately maintained and kept up-to-date.

(xi) Principle: The Relevant Trustee maintains adequate financial management controls to segregate client assets and assets of Relevant Trustee's own business. All business transactions are subject to authorisation procedures and these are clearly documented.

Control objective

16. Cash and other assets held by, or on behalf of, the Relevant Trustee in respect of trustee appointments are segregated and safeguarded. Payments and receipts are suitably authorised, controlled, and recorded on a timely basis.

(xii) Principle: The Relevant Trustee ensures that arrangements are in place for formally recording minutes of all formal meetings held by the Relevant Trustee.

Control objective

17. Minutes or other written records are maintained for all key business meetings and decisions taken by the Relevant Trustee.

D - RISK MANAGEMENT

(xiii) Principle: The Relevant Trustee maintains a risk management framework to manage and record business risks and this is subject to ongoing review and assessment (at least annually).

Control objective

18. A review of risks which do or could impact on the Relevant Trustee's own business operations and trustee appointments is undertaken periodically (and at least annually). Risks are identified and evaluated and recorded in a risk register together with internal controls and mitigations identified by the Relevant Trustee.

(xiv) Principle: The Relevant Trustee maintains a documented process for authorising and supervising delegations.

Control objective

19. Delegations (including roles and responsibilities) within the Relevant Trustee's own business are clearly documented, authorised, and monitored.

(xv) Principle: The Relevant Trustee maintains adequate systems and controls to help identify, manage and correct financial and compliance errors on a timely basis.

Control objective

20. Financial and compliance errors in the business are corrected promptly and a formal record and memorandum of the event is retained.

E - INFORMATION TECHNOLOGY

(xvi) Principle: The Relevant Trustee maintains adequate controls which help ensure the integrity and security of its computerised information systems and databases.

Control objective

21. Computerised information systems have restricted physical and logical access including appropriate measures to counter the threat from malicious electronic attack (e.g. firewalls, anti-virus etc).
22. Maintenance and development of systems, applications and software is authorised, tested, approved and implemented.
23. Data and systems are backed up regularly and business and information recovery plans are documented, approved and maintained.

APPENDIX 2

Example paragraphs from the report by the Relevant Trustee

The following text contains example paragraphs from an illustrative Relevant Trustee's report.

As [name of Relevant Trustee], we are responsible for:

- the identification of control objectives to be applied for the purpose of demonstrating 'sound administrative and accounting procedures' relating to Relevant Trustee's own business operations for providing pensions trustee services **[for those Relevant Trustees who wish to apply/remain on the Trustee Register]** and in connection with its application to be on/to remain on the Pensions Regulator's Trustee Register (under section 23(4) of the Pensions Act 1995);
- the design, implementation [and operation¹³] of the control procedures of [name of Relevant Trustee] to provide reasonable assurance that the control objectives identified in pages [] to [] are achieved.

The control objectives identified include/do not include all of those control objectives listed in Appendix 1 of the Relevant Trustee supplement. [*where applicable* We explain on pages [] to [] the reasons for not identifying all those control objectives listed in that appendix.]

In carrying out those responsibilities, we have regard to the requirements of the business and the general effectiveness and efficiency of the relevant operations.

We have evaluated the effectiveness of the [name of Relevant Trustee]'s control procedures having regard to ICAEW's Technical Release AAF 02/07 including its Relevant Trustee supplement and the criteria set out therein.

We set out on pages [] to [] in this report a description of the relevant control procedures together with the related control objectives which operated during the period [x] to [y] and confirm that:

- a) the report describes fairly the control procedures that relate to the control objectives referred to above which were in place [during the period [x] to [y] / [as at [date]]];
- b) the control procedures described were suitably designed throughout the period [x] to [y] such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and

[*where applicable – see paragraph 4*

- c) the control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the specified period.]

Director

Date

Signed on behalf of [name of Relevant Trustee]

¹³ Applicable where operating effectiveness of control procedures are within the scope of assurance reporting.

APPENDIX 3

A pro forma practitioner's assurance report on the internal control procedures of Relevant Trustees

Practitioners issue an assurance report in a form suitable for the specific engagement. The report below is adapted from a pro forma assurance report (ii) (a) Appendix 2 of AAF 02/07 for the purpose of reporting in relation to the Relevant Trustee's control objectives related to their 'sound administrative and accounting procedures' as set out in the Relevant Trustee's report in appendix 2 of this Supplement.

a) Assurance report that covers description, design and operating effectiveness of specified control procedures

Independent practitioners' assurance report on the internal control procedures of [name of Relevant Trustee]

To xxxxx (See AAF 02/07 for wording)

Use of Report

(Example wordings to describe applicable restrictions on the use of the report, together with supporting guidance on alternative forms of engagement and associated duties of care arising, are set out in AAF 02/07. However, restrictions should not exclude the Regulator's use of the report as support to the Relevant Trustee's application to be on, or remain on, the Trustee Register).

Scope

We have been engaged to report on the description and design, as at [date], and operating effectiveness of [name of Relevant Trustee]'s control procedures designed to achieve the control objectives throughout the period [date] to [date] as set out on pages [] to [] of your report.

Relevant Trustee's responsibilities

[Name of Relevant Trustee]'s responsibilities and assertions are set out on page [] of your report.

Our responsibilities

Our responsibility is to form an independent opinion, based on the work carried out in relation to the control procedures of [name of Relevant Trustee]'s as described in your report and report this to [name of Relevant Trustee].

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 and with ICAEW Technical Release AAF 02/07 including its Relevant Trustee Supplement. ISAE 3000 and AAF 02/07 require, among other things, that we comply with ethical and other professional requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, [name of Relevant Trustee]'s report fairly describes the relevant control procedures and the control procedures are suitably designed and operating effectively. The criteria against which the control procedures were evaluated are the control objectives developed for Relevant Trustees as set out within the Relevant Trustee Supplement to AAF 02/07 and identified by the Relevant Trustee as control objectives to be applied for the purpose of demonstrating 'sound administrative and accounting procedures'.

Our work involved performing procedures to obtain evidence about the presentation of the Relevant Trustee's description of its Relevant Trustee services, and the design and operating effectiveness of the control procedures. Our procedures include assessing the risks that the

description is not fairly presented, and that the control procedures were not suitably designed or operating effectively.

Our procedures included testing the operating effectiveness of those control procedures identified by [name of Relevant Trustee] as relevant, reasonable and proportionate in relation to its pensions trustee services and necessary to obtain reasonable assurance that the control objectives stated in the description were achieved. The nature, timing and extent of the tests we applied are detailed on pages [] to [] of the report.

An assurance engagement of this type also included evaluating the overall presentation of the description, and the suitability of the objectives stated therein.

Inherent limitations

[Control procedures designed to address specified control objectives are subject to inherent limitations and accordingly because of their nature, control procedures at [name of Relevant Trustee]'s may not prevent or detect and correct all errors or omissions in performing administrative and accounting procedures. Control procedures cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust.

Our opinion is based on historical information. The projection of any evaluation of the fairness of the presentation of the description, or opinion about the suitability of the design or operating effectiveness of the control procedures to future periods would be inappropriate.

Opinion

In our opinion, in all material respects:

- i. the accompanying Relevant Trustee's report describes fairly the control procedures that relate to the control objectives referred to above which were in place [during the period [x] to [y] on pages [] to [] The control objectives identified [include / do not include] all of those control objectives listed in Appendix 1 of the Relevant Trustee supplement to AAF 02/07;
- ii. the control procedures described on pages [] to [] were suitably designed such that there is reasonable, but not absolute, assurance that the specified control objectives would have been achieved if the described control procedures were complied with satisfactorily; and
- iii. the control procedures that were tested, as set out in the attachment to this report, were operating with sufficient effectiveness for us to obtain reasonable, but not absolute, assurance that the related control objectives were achieved in the period [x] to [y].

[Name of firm]

Chartered accountants

[Location]

[Date]

b) Assurance report that covers description and design of specified control procedures

Independent practitioner's assurance report on the internal control procedures of [name of Relevant Trustee]

To xxxxx (See AAF 02/07 for wording)

Use of Report

(Example wordings to describe applicable restrictions on the use of the report, together with supporting guidance on alternative forms of engagement and associated duties of care arising, are set out in AAF 02/07. However, restrictions should not exclude the Regulator's use of the report as support to the Relevant Trustee's application to be on, or remain on, the Trustee Register).

Scope

We have been engaged to report on the description and design, as at [date], of [name of Relevant Trustee]'s control procedures designed to achieve the control objectives throughout the period [date] to [date] as set out on pages [] to [] of your report.

Relevant Trustee's responsibilities

[Name of Relevant Trustee]'s responsibilities and assertions are set out on page [] of your report.

Our responsibilities

Our responsibility is to form an independent opinion, based on the work carried out in relation to the control procedures of [name of Relevant Trustee]s as described in your report and report this to [name of Relevant Trustee].

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 and with ICAEW Technical Release AAF 02/07 including its Relevant Trustee Supplement. ISAE 3000 and AAF 02/07 require, among other things, that we comply with ethical and other professional requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the [name of Relevant Trustee]'s report fairly describes the relevant control procedures and the control procedures are suitably designed. The criteria against which the control procedures were evaluated are the control objectives developed for Relevant Trustees as set out within the Relevant Trustee Supplement to AAF 02/07 and identified by the Relevant Trustee as control objectives to be applied for the purpose of demonstrating 'sound administrative and accounting procedures'.

Our work involved performing procedures to obtain evidence about the presentation of the Relevant Trustee's description of its Relevant Trustee services, and the design of the control procedures. Our procedures include assessing the risks that the description is not fairly presented, and that the controls procedures were not suitably designed.

Inherent limitations

Control procedures designed to address specified control objectives are subject to inherent limitations and accordingly, because of their nature, control procedures at [name of Relevant Trustee]'s may not prevent or detect and correct all errors or omissions in performing administrative and accounting procedures. Control procedures cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust.

Our opinion is based on historical information. The projection of any evaluation of the fairness of the presentation of the description, or opinion about the suitability of the design of the control procedures to future periods would be inappropriate.

Opinion

In our opinion, in all material respects:

- i. the accompanying Relevant Trustee's report describes fairly the control procedures that relate to the control objectives referred to above which were in place as at [date] on pages [] to [] The control objectives identified [include / do not include] all of those control objectives listed in Appendix 1 of the Relevant Trustee supplement to AAF 02/07;
- ii. the control procedures described on pages [] to [] were suitably designed such that there is reasonable, but not absolute, assurance that the specified control objectives would have been achieved if the described control procedures were complied with satisfactorily.

[Name of firm]

Chartered accountants

[Location]

[Date]

GLOSSARY

Term	Definition
Key Individuals	<ol style="list-style-type: none"> 1. Individuals within the Relevant Trustee who have overall management responsibility for the pensions trustee services conducted by the applicant; 2. director, member of the committee of management, chief executive, designated member in relation to a limited liability partnership, partner or controller who has significant influence over the management of the Relevant Trustee's work; 3. any person whose signature may authorise, in part or in full, a transaction involving the assets of any scheme for which the applicant acts as trustee; 4. Key Person; or 5. Officer.
Key Persons	An individual as defined under regulation 1(2) of the Occupational Pension Schemes (Independent Trustee) Regulations 2005 (SI 2005703)
Officers	An individual as defined under regulation 1(2) of the Occupational Pension Schemes (Independent Trustee) Regulations 2005 (SI 2005703)
Regulator	The Pensions Regulator as established under section 1 of the Pensions Act 2004.
Relevant Trustee	An entity that, as part of its business, as a trustee offers pensions trustee services in relation to trust schemes and who either is on the Relevant Trustee Register or adopts this framework voluntarily.
Trustee Register	Register of trustees held by the Regulator.

Chartered accountants are talented, ethical and committed professionals. There are more than 1.8m chartered accountants and students around the world, and more than 186,500 of them are members and students of ICAEW.

ICAEW promotes inclusivity, diversity and fairness. We attract talented individuals and give them the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

Founded in 1880, we have a long history of serving the public interest and we continue to work with governments, regulators and business leaders around the world. We are proud to be part of Chartered Accountants Worldwide, a network of 750,000 members across 190 countries, which promotes the expertise and skills of chartered accountants on a global basis.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create strong economies and a sustainable future for all.

www.charteredaccountantsworldwide.com
www.globalaccountingalliance.com

ICAEW

Chartered Accountants' Hall
Moorgate Place
London
EC2R 6EA
UK

T +44 (0)20 7920 8100
E generalenquiries@icaew.com
icaew.com

