

Teachers' Pension Scheme (England and Wales) Resource Account

Report by the Comptroller and Auditor General

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Introduction

1. The Teachers' Pension Scheme (England and Wales) was established under the Superannuation Act 1972 to provide post retirement benefits for members of the teaching profession and other eligible educational workers. It is an unfunded, contributory, public service occupational pension scheme governed by statutory regulations under the Act. The current principal regulations are the Teachers' Pensions Regulations 1997. The Scheme is managed by the Department for Education and Skills (formerly the Department for Education and Employment).
2. Active members contribute 6 per cent of their pensionable salary to the scheme. Members' employers make a further contribution, currently 7.4 per cent of pensionable salary. Members' contributions are deducted from their salaries and employers must submit these deductions, along with their own contributions, within 7 days of the end of each month.
3. For the financial year 2000-01 the scheme disbursed some £3.579 billion in retirement and other benefits and received contributions of £2.011 billion.
4. I have qualified my audit opinion on these financial statements because:
 - The Managers of the Scheme were unable to provide me with sufficient evidence to support the completeness and accuracy of contributions received from employers; and
 - Because of this lack of evidence, I was unable to reach an opinion that the contributions payable to the Scheme have been received in accordance with the Scheme rules and the recommendations of the actuary.
5. This Report sets out my findings in more detail.

Verification of Contributions receivable by the Scheme

6. In order to verify the contributions paid to the Scheme, and to confirm and update membership information, employers are required to provide two annual returns to the Managers of the Teachers' Pension Scheme:

- An annual "contributions return" is to be submitted by 31st December following the 31st March year end. This return verifies that the contributions made in the previous year are correct and is audited by the relevant employer's statutory auditor. The information is used by the Scheme Managers to ensure that employers have properly remitted all contributions due.
 - An annual "membership return" to the Scheme Managers, with a target date for submission of the 30th June following the 31st March year-end. This return provides service and salary details of active Scheme members working for each employer during the year. The information is used by the Managers to ensure that membership information, such as members' salary and length of service, is correct so that retirement benefits due to members can be properly calculated when they retire.
7. Therefore the Managers should have received all the information supporting contributions received in 2000-01, and 2000-01 data to update its membership records, by 31 December 2001.

Disclaimer of Audit Opinion on the Contributions Statement

8. Audited "contribution returns" were all due by 31st December 2001. However at the date of this report of 172 local education authorities, 60 had not yet submitted an audited return. In addition there remain some 465 audited returns from 'other employers' not yet received. The missing returns cover some £533,673,000 of contributions received from local education authorities and £110,351,000 received from 'other employers'.
9. I am required to provide an opinion that the contributions payable to the Scheme during the year had been paid in accordance with the Scheme rules and the recommendations of the actuary. I gain my audit assurance from the audited "contribution returns", which were due to be received by 31 December 2001.
10. Given that the Scheme Managers are unable to provide me with evidence to support the completeness and accuracy of contributions received during 2000-01 from certain employers, I am unable to form an opinion as to whether contributions payable to the Scheme during that year have been received in accordance with the Scheme rules and the recommendations of the actuary.

Limitation of Scope on Contributions Received

11. Furthermore, had evidence been available to support the contributions paid to the Scheme, those contributions may have needed to be adjusted in light of the audited information received. As a result of this limitation in the scope of my audit, I have qualified my opinion to take account of these adjustments that may have been necessary had I been able to obtain sufficient evidence concerning the completeness and measurement of contributions income.

Membership Records

12. In respect of 2000-01, the Managers received information covering 71 per cent of its membership. These returns identified updates needing to be made to the Scheme's database. This database is used to calculate pension and other benefits due scheme members, but as alternative arrangements exist for confirming the length of service and pensionable salary of teachers and this effectively reduces the risk that their benefits will be based on incomplete information.

13. The late submission of these returns has an incremental impact and, as this is the first year I have noted the low level of "membership returns", it is my opinion that this has not led to a material misstatement in the Accounts.

14. Whilst I have not qualified my opinion in this respect, I regard the completeness of membership records as an essential pre-requisite to the effective management of the Scheme.

Corrective Action planned by the Scheme

15. The Scheme Managers are currently reviewing the control system for verifying the completeness and accuracy of contributions received from employers. This review is paying particular attention to recent structural changes in the education sector, including the abolition of grant maintained schools, and measures currently before Parliament in the Education Bill.

16. The review will also recommend alternative methods of gathering membership and other key data. This review is due to be completed early in 2002 and I shall continue to monitor developments.

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