

Combined AAF 05/20 assurance report on Master Trusts
and 01/20 internal control assurance report

For the year ended 31 December 2023



Report of the Trustee

This report is a Type 2 assurance report on Master Trusts and internal control assurance report for the year ended 31 December 2023.

A summary of the findings is available on page 10.

The Trustee

Cheviot Trustees Limited is the Trustee. Trustee Directors are drawn from employers and members. An independent Chair has been in place since 1 April 2017. Directors with specialist skills are co-opted when required.

A detailed Governance Policy sets out how Cheviot is managed. The Trustee delegates to six Committees: Finance and Operations, Funding, Human Resources, Investment, Legal, and Risk and Compliance. During 2023, there were also two working parties which looked at specific issues in detail.

Employers

Cheviot seeks to deliver strong governance, efficient administration and effective communication. This enables employers to focus on their core business activities. Sponsors of Final Salary Schemes can track funding levels, investment returns and other key information through accessible quarterly management reports. Regular funding updates are provided for With Profits employers. Investment information is available online quarterly for employers with members in the Money Purchase Section.

Members

Cheviot understands that members find pensions difficult. As a result of a focus on member outcomes, it provides pre and post-retirement default options which facilitate the pension flexibilities available whilst allowing members to remain in a trust based

governance environment. It reviews these options annually.

Cheviot engages with members through its award winning, simple, clear and helpful communications, including a member orientated website, member dashboard and app.

Investment approach

Cheviot provides innovative and dynamic investment solutions for both employers and members, targeting both stability and absolute returns.

Audit and Assurance Framework 05/20 and 01/20

Section 4 sets out the relevant controls from the framework entitled **Assurance Reporting on Master Trusts**¹ (Technical release 05/20)

Pension and financial administration is undertaken in-house. Section 5 of this report includes control procedures relevant to the pensions administration control objectives as set out in the framework entitled Assurance reports on Internal Controls of Service Organisations Made Available to Third Parties (Technical Release AAF 01/20) (**Internal Controls AAF**).²

Adopting both these frameworks enables Cheviot to demonstrate the controls and procedures established and in operation at a trustee governance level as well as those which relate to pensions and financial administration across the organisation. In some cases, different Sections or Schemes have different controls which are identified separately.

Cheviot's service auditor has provided two opinions, one under the **Assurance Reporting on Master Trusts** and the other under the **Internal Controls AAF**.

¹ Provided by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW).

² Provided by the ICAEW

the control objectives stated in the control description were achieved. An assurance engagement of this type also included evaluating the overall presentation of the description and the suitability of the control objectives stated therein.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our independence and quality control

We have complied with the independence and other ethical requirements of the 'Code of Ethics for Professional Accountants' issued by the International Ethics Standards Board for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

The Trustee's description of governance control activities including oversight of systems and processes was prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of the governance control activities that may be relevant to each employer company or member of the Cheviot Trust. Also, because of their nature, governance control activities may not prevent or detect and correct all errors or omissions in performing governance activities.

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 activities and systems and processes to future periods would be inappropriate.

Opinion

In our opinion, in all material respects:

- (i) section 4 of the Trustee's report fairly presents the governance control activities established by the Trustee that relate to the control objectives referred to above which were in place throughout the period from 1 January 2023 to 31 December 2023;
- (ii) the governance control activities established by the Trustee described in section 4 of the Trustee's report were suitably designed to provide reasonable, but not absolute, assurance that the specified control objectives would have been achieved if the described governance control activities operated effectively throughout the period from 1 January 2023 to 31 December 2023; and
- (iii) the governance control activities established by the Trustee that were tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related control objectives were achieved throughout the period from 1 January 2023 to 31 December 2023.



Crowe U.K. LLP

Chartered accountants

London

Date: 29 February 2024

Report by Service Auditor**Independent Service Auditor's assurance report on Control Activities at the Cheviot Trust****To the Trustee of the Cheviot Trust****Use of report**

This report is made solely for the use of the Trustee, as a body, of the Cheviot Trust ("the Trustee"), and solely for the purpose of reporting on the control activities of the Cheviot Trust, in accordance with the terms of our engagement letter dated 9 November 2023 attached in the Appendix. Our work has been undertaken so that we might report to the Trustee those matters that we have agreed to state to them in this report and for no other purpose.

We permit the disclosure of our report, in full only, to verify that a report by service auditors has been commissioned by the Trustee of the Cheviot Trust and issued in connection with the control activities of the Cheviot Trust, and without assuming or accepting any responsibility or liability to Customers or their auditors on our part.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body and the Cheviot Trust for our work, for this report or the conclusions we have formed.

Subject matter

This report covers solely the control activities of the pensions administration function of the Cheviot Trust as described in your report during the year ended 31 December 2023. Control activities are processes designed to provide reasonable assurance regarding the level of control over pensions administration and related transactions achieved by the Cheviot Trust in the provision of pension administration activities by the Cheviot Trust.

The Trustee's responsibilities and statement are set out in section 5 of your report. Our responsibility is to form an independent conclusion, based on the work carried out in relation to the control activities of the Cheviot Trust as described in your report and report this to you as Trustee of the Cheviot Trust.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Criteria and scope

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 and ICAEW Technical Release AAF 01/20. The criteria against which the control activities were evaluated are the control objectives developed for service organisations as set out within the Technical Release AAF 01/20 and identified by the Trustee as relevant control

objectives relating to the level of control over activities and related transactions in the provision of pension administration services. Our work was based upon obtaining an understanding of the control activities as described in section 5 of the report by the Trustee, and evaluating the Trustee's statement as described in section 5 to obtain reasonable assurance so as to form our conclusion.

Our tests are related to the Cheviot Trust as a whole rather than performed to meeting the needs of a particular customer.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

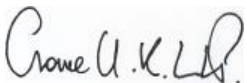
Inherent limitations

Control activities were prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of the control activities that may be relevant to each Customer. Control activities designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such control activities cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, our conclusion is based on historical information and the projection of any information or conclusions in the attached report to any future periods would be inappropriate.

Conclusion

In our opinion, in all material respects:

1. Section 5 of the accompanying report by the Trustee describes fairly the pensions administration activities as designed and implemented during the period from 1 January 2023 to 31 December 2023;
2. the control activities described in section 5 were suitably designed such that there is reasonable, but not absolute, assurance that the specified control objectives would have been achieved throughout the period from 1 January 2023 to 31 December 2023 if the described control procedures were complied with satisfactorily; and
3. the control activities that were tested, as set out in section 5, were operating with sufficient effectiveness for us to obtain reasonable, but not absolute, assurance that the related control objectives were achieved during the period from 1 January 2023 to 31 December 2023.



Crowe U.K. LLP

Chartered Accountants

London

Date: 29 February 2024



Summary of controls tested

Section 4 Assurance reporting on Master Trusts AAF 05/20	Control number	Pages	Summary Results	of
Value for members	1-2	12-13	No exceptions	
Investment governance	3-6	14-15	No exceptions	
The trustee	7-10	16-18	No exceptions	
Financial sustainability and compliance	11-14	19-20	No exceptions	
Scheme management skills	15-19	21-23	No exceptions	
Trustee oversight of IT systems and administration processes	20-28	24-28	No exceptions	
Data quality	29	29	No exceptions	
Communication and Reporting	30-32	30-31	No exceptions	

Section 5 Assurance report on internal controls AAF 01/20	Control number	Pages	Summary Results	of
Pensions administration				
Accepting clients	1.1-1.3	33-35	No exceptions	
Authorising and processing transactions	2.1-2.3	36-39	No exceptions	
Maintaining financial and other records	3.1-3.4	40-43	No exceptions	
Safeguarding assets	4.1-4.2	44-45	No exceptions	
Managing and monitoring compliance and outsourcing	5.1-5.3	46-47	No exceptions	
Reporting to clients	6.1	48-49	No exceptions	
Information technology				
Restricting access to systems and data	7.1-7.4	50-52	No exceptions	
Maintaining integrity of the systems	8.1-8.5	53-55	No exceptions	
Maintaining and developing systems hardware and software	9.1-9.3	56-57	No exceptions	
Recovery from processing interruptions	10.1-10.3	58-59	No exceptions	
Managing and monitoring compliance and outsourcing	11.1-11.2	60	No exceptions	



Assurance reporting on Master Trusts AAF 05/20

Overview of governance structure

The Trustee's approach to governance is based on retaining a high level of oversight whilst making the decision-making process as efficient as possible. This is achieved by delegating powers to a range of specialist Committees effective detailed discussions to allow the Trustee to focus on key business and regulatory issues.

The **Finance and Operations Committee** reviews all operational issues, including audit and accounting functions and the AAF reports.

The **Funding Committee** is responsible for all defined benefit and cash balance funding issues and works closely with the Scheme Actuaries.

The **HR Committee** has a wide brief in relation to employment issues.

The **Investment Committee** has a wide brief in relation to all investment issues.

The **Legal Committee** is responsible for all legal issues and has delegated powers to sign off changes to the Trust Deed and Rules.

The **Risk and Compliance Committee** focuses on risk and compliance with delegated powers to sign off regulatory documents.

This structure enables the Trustee to focus on strategy and business plans together with review of advisers and oversight of Committees and the Chief Executive. A detailed Governance report is produced quarterly and includes reports from each Committee, RAG rated to identify key issues. Any significant issues which need Trustee consideration are raised as separate agenda items.



Value for members

Summary

The Trustee appointed consultants to carry out an annual assessment of the Money Purchase Section's services during 2023. The assessment is reviewed by the Investment Committee each year. The assessment was completed by Schroders Solutions. The assessment was based on its knowledge of the market and operation of other trustee boards and the framework provided by the Pensions Regulator.

The quality of the services was assessed through establishing whether the Money Purchase Section's services were suitable, relevant, and valued by members and whether each of the services had performed effectively. It also identified, in conjunction with the Investment Committee, areas where future actions could further improve the value provided.

The Investment Committee has delegated powers to review the assessment. It concluded, based on Schroders' assessment, that the services provided were high quality, made a positive contribution to member outcomes and provided value for members in two key areas of governance and management and administration and communications services. The investment section was given a green rating for structure, investment reporting and average investment charge. The overall charge to members was within the range identified by Schroders Solutions but at the high end, given the discounting available by the largest providers in the Master Trust market.

The Trustee continues to focus on reducing overall charges.

Assessing value for members

1. A documented value for members assessment is undertaken at least annually and is formally approved by the Trustee Board

Control Procedure

A value for members review is completed annually by the Investment Committee in accordance with its Terms of Reference and is reported to the Trustee. The review takes account of the Pensions Regulator's regulatory guidance and is available to employers on request.

Tests Performed

We obtained and inspected the value for members review, the Investment Committee Terms of Reference, minutes of the Investment Committee meeting and minutes of the Trustee meeting where this was reported, as evidence of the stated procedure being followed.

No exceptions noted.



Management of costs and charges

2. The Trustee Board ensures disclosure of information to members of transaction costs and charges is complete and accurate and has been disclosed in accordance with regulatory guidelines.

Control Procedure

Money Purchase Section

The benefit statement template reflects the DWP's simplified statement template.

Percentage charges in respect of the Money Purchase Section are shown on the benefit statement. Actual charges vary between members both through investment option choice and cash flows and are deducted by the investment platform provider. Members are provided with a worked example to show them how to calculate the charges on their account during the period.

A detailed Chair's statement policy is in place to ensure compliance with the statutory requirements. The Chair's Governance statement is publicly available on both the corporate and member website. This includes detailed analysis of the impact of charges and transaction costs, as disclosed to the Trustee or estimated, on a member's pension pot, having regard to the regulatory guidelines. The investment advisor is responsible for monitoring the accuracy of transaction costs.

Final Salary Schemes

Members can review costs and charges for the Final Salary Schemes in the statutory accounts of each Final Salary Scheme. The costs do not affect members' benefits.

With Profits Section

Members can review costs and charges for the With Profits Section in the statutory accounts of the Cheviot Pension. The costs do not affect members' benefits.

Tests Performed

For a sample of members, we obtained and inspected a benefit statement as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected the Chair's statement policy and Chair's Governance statement as evidence of the stated procedure being followed.

No exceptions noted.

We inquired that the statutory accounts of each Final Salary Scheme are available to members upon request.

No exceptions noted.

We inquired that the statutory accounts of the Cheviot Pension are available to members.

No exceptions noted.



Investment governance

Summary

Investment governance is undertaken by the Investment Committee in accordance with its terms of reference and delegated powers as set out in the Governance Policy. The investment strategy is set out in the Statement of Investment Principles for each Section or Scheme. The Statements are reviewed at least annually which includes a review of the investment objectives and default fund components, where appropriate, to ensure that they remain appropriate. Fund performance and volatility are measured against clearly articulated targets quarterly. Investment transactions are authorised according to a Schedule of Financial Authorities in the Governance Policy.

All the Money Purchase Section assets are held on an investment platform. Assets are held by Mobius Life in blended funds which access the underlying managers. The security and liquidity of assets assessment details how investments are protected in the event of a financial failure and is reviewed by the Investment Committee annually. Cheviot's systems do not transact directly with investment managers. Disaster recovery tests are carried out at least annually on Cheviot systems.

3. A documented review of the suitability of the default arrangement(s) and range and risk profile of other investment options is undertaken and approved by the Trustee Board.

Control Procedure

The design and on-going suitability of the default strategy and each investment option offered by the Money Purchase Section is reviewed annually, as required by the Strategic and Operations Plan, by the Investment Committee against the stated investment objectives. This review includes an assessment of the current range, risk profile and target returns of the fund options available to members. The results of the review are included in the Chair's Statement and any changes agreed are implemented.

Tests Performed

We obtained and inspected the review of the suitability of the default strategy and each investment option offered by the Money Purchase Section, the Strategic and Operations Plan, minutes of the Investment Committee meeting where the Trustee carried out the review and the Chair's Statement, as evidence of the stated procedure being followed.

No exceptions noted.

4. The Trustee Board undertakes a documented review of the Statement of Investment Principles. This review includes consideration of investment objectives and policies for the default arrangement(s) and all other investment options.

Control Procedure

Statements of Investment Principles are prepared for the Money Purchase Section, With Profits Section and each Final Salary Scheme in line with the Statement of Investment Principles procedure. A review includes an assessment of the long-term objectives and policies for each fund for all

Tests Performed

We obtained and inspected the Statement of Investment Principles for each Section and Scheme, the Statement of Investment Principles procedure, minutes of the Investment Committee meeting where the Trustee carried out the annual review and evidence of the reviews carried out as a result of



Sections. This review includes an analysis of the default option funds (the Cheviot Lifeplan) and self-select options within the Money Purchase Section. The Statements of Investment Principles are reviewed annually or if investment strategy changes necessitate a review.

investment strategy changes, as evidence of the stated procedure being followed.

No exceptions noted.

5. The Trustee Board ensures that the Statement of Investment Principles is made publicly available.

Control Procedure

A documented procedure is in place which ensures that the Statement of Investment Principles, once approved by the Trustee, are made publicly available on the Cheviot website.

Tests Performed

We obtained and inspected the stated documented procedure and confirmed that the Statement of Investment Principles are publicly available on the Cheviot website.

No exceptions noted.

6. The performance of all investment options (including the default arrangement(s)) is reviewed and monitored against the investment objectives set out in the Statement of Investment Principles. This review is documented and approved by the Trustee Board.

Control Procedure

The performance of each investment fund or option provided, including the components of the default Lifeplan option within the Money Purchase Section, is reviewed quarterly by the Investment Committee against the relevant investment objectives and benchmarks, as set out in the Statement of Investment Principles, through the Investment Governance Report provided by the Investment Adviser.

Tests Performed

We obtained and inspected a sample of the Investment Governance Reports and minutes of the Investment Committee meetings where the Trustee carried out the review, as evidence of the stated procedure being followed.

No exceptions noted.



Trustee Directors can access the training completed in accordance with the training plan on the Extranet, including some recorded sessions. The Governance Policy provides that trustees must complete a minimum number of hours of training each year.

No exceptions noted.

Through inquiry and inspection, we noted that the Trustee Directors can access the training completed on the Extranet. We obtained and inspected the Governance Policy as evidence of the stated procedure being in place.

No exceptions noted.



Financial sustainability and compliance

Summary

The Trustee is also the Scheme Strategist and there is no Scheme Funder. The financial sustainability of the Trust is therefore dependent on internal resources and its power to issue invoices to employers in respect of management and administration costs.

The Trustee and the Finance and Operations Committee review a quarterly update report which considers the progress of funds under management, contributions and income received and the level of Financial Reserve against the targets in the Business Plan. The Business Plan is reviewed annually, and any material changes are agreed by the Trustee.

11. A documented review of financial sustainability (including access to resources to cover running costs and financial reserves in the event of a triggering event) is undertaken by the Trustee Board within required timescales.

Control Procedure

The on-going review of the financial sustainability of the Money Purchase Section through the Money Purchase Progress Report is a standing item on the Finance and Operations Committee agenda and is reported to the Trustee. This includes the relevant measurements and milestones as required by the Pensions Regulator.

Tests Performed

We obtained and inspected a sample of the Money Purchase Progress Reports and minutes of the meetings where the reports were discussed, as evidence of the stated procedure being followed.

No exceptions noted.

12. A documented review of the Business Plan is undertaken by the Trustee Board within required timescales.

Control Procedure

The Business Plan is reviewed annually by the Trustee as required by the Strategic and Operations Plan.

Tests Performed

We obtained and inspected the Business Plan, the Strategic and Operations Plan and minutes of the Trustee meeting where it was reviewed, as evidence of the stated procedure being followed.

No exceptions noted.

13. A documented Continuity Strategy is maintained and reviewed by the Trustee Board.

Control Procedure

Tests Performed



The Continuity Plan is reviewed annually by the Trustee, as required by the Strategic and Operations Plan.

We obtained and inspected the Continuity Plan, the Strategic and Operations Plan and minutes of the Trustee meeting where it was reviewed, as evidence of the stated procedure being followed.

No exceptions noted.

14. A documented procedure is maintained and approved by the Trustee Board for reporting Significant Events and Triggering Events to the Regulator within required timescales.

Control Procedure

The Governance Policy documents the procedure for reporting significant events and triggering events to the Regulator within the prescribed timescales.

Regulatory reporting is reviewed by the Risk and Compliance Committee each quarter and is included in the quarterly Governance report which is reviewed by the Trustee.

Tests Performed

We obtained and inspected the Governance Policy, as evidence of the stated procedures being in place.

No exceptions noted.

We obtained and inspected a sample of the Governance reports and minutes of the meetings where the reviews took place, as evidence of the stated procedure being followed.

No exceptions noted.



Scheme Management

Summary

The Cheviot extranet provides access to Board and Committee papers to all Trustee Directors and relevant advisers together with key scheme documents. A Strategic and Operations Plan is maintained using a software package and is reviewed by the Trustee and the Committees. The software also links tasks to risks and provides detailed reporting.

The plan sets out all the key priorities and tasks of the Trustee with details of the individual or adviser responsible and who provides oversight. Each Committee and Board meeting reviews the tasks relevant to its area at each meeting.

The Governance Policy includes a detailed conflicts policy for Trustee Directors, senior staff and advisers and sets out the procedure for the annual review of advisers and any tender exercises. A detailed conflicts policy in relation to the With Profits Section was introduced in 2023.

The Chief Executive reports on performance and delivery against service standards for key advisers on a quarterly basis.

15. An annual business schedule/plan is maintained and reviewed by the Trustee Board.

Control Procedure

The schedule of Trustee and Committee meetings is scheduled for each calendar year and available on the extranet.

The standing items for Trustee and Committee meetings are set out in the Governance Policy.

The Strategic and Operations Plan sets out the timetable for all key tasks required across all Sections and Schemes including the Chair's Statements, Business Plan, supervisory returns, scheme returns and review of skills' analysis. Reports are produced for each Trustee and Committee meeting which include timescales and note any timescales which have changed.

Tests Performed

We observed that the schedule of Trustee and Committee meetings is scheduled for each calendar year and available on the extranet, as evidence of the stated procedure being in place.

No exceptions noted.

We obtained and inspected the Governance Policy, as evidence of the stated procedures being in place.

No exceptions noted.

We obtained and inspected the Strategic and Operations Plan and for a sample of the meetings where the reports were reviewed, we obtained and inspected the minutes of the meetings, as evidence of the stated procedure being followed.

No exceptions noted.



16. Conflicts of interest are subject to ongoing monitoring and are identified, recorded in a conflicts register and managed in accordance with a defined policy which is regularly reviewed by the Trustee Board.

Control Procedure

The Governance Policy includes conflicts of interest policies for Trustee Directors and advisers. The Governance policy is reviewed at least annually.

A Register of Conflicts for Trustee Directors and managers is maintained, and any changes are reviewed at the Trustee Board meetings quarterly and Committee meetings.

Trustee Directors, staff and advisers are required to declare their conflicts at least annually.

Tests Performed

We obtained and inspected the Governance Policy and evidence that Governance Policy was reviewed at least annually, as evidence of the stated procedure being in place.

No exceptions noted.

We obtained and inspected the Register of Conflicts. For a sample of meetings, we obtained and inspected the minutes where the Trustee and Committee's carried out the review of the Register of Conflicts, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of trustees, staff and advisers, we tested that they declared their conflicts annually.

No exceptions noted.

17. Documented due diligence is undertaken by the Trustee Board prior to the appointment of all service providers, including fitness and propriety. Selection criteria is maintained by the Trustee Board to support service provider selection and decision making.

Control Procedure

The Governance Policy sets out the procedure for the annual review of advisers and any tender exercises.

Tests Performed

We obtained and inspected the Governance Policy, as evidence of the stated procedures being in place.

No exceptions noted.

18. Roles and responsibilities of all advisers and service providers are documented and the performance and quality of their service is subject to documented reviews by the Trustee Board against documented performance criteria.

Control Procedure

Tests Performed



The roles and responsibilities of advisers and service providers are documented and available to the Trustee. The annual reviews of advisers are conducted in December each year based on the documented requirements. Advisers are evaluated on an annual basis.

The Chief Executive reports on performance and delivery against service standards to the Trustee for key advisers on a quarterly basis.

We inquired that the roles and responsibilities of advisers and providers are documented and available to the Trustee. We obtained and inspected the annual review of advisers and minutes of the meeting where it was reviewed, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of periods, we obtained and inspected the reports on performance and delivery against service standards for key advisers, as evidence of the stated procedures being in place.

No exceptions noted.

19. The Trustee Board maintains a risk management framework to identify, evaluate, manage and monitor scheme risks.

Control Procedure

The Governance Policy sets out the ongoing process for the identification, measurement, monitoring, prioritisation and resolution of risks. A risk register is maintained which is linked to the Strategic and Operations Plan. The register evaluates the likelihood and impact of risks and any mitigation in place.

Each Committee is tasked to review the risks relevant to its area. Risks are reviewed at each Committee and Trustee meeting. A summary of the changes since the previous review is included. Key trustee responsibilities, red risks or any new risks are reviewed at the quarterly Trustee meetings.

Tests Performed

We obtained and inspected the Governance Policy, the Strategic and Operations Plan and the risk register, as evidence of the stated procedures being followed.

No exceptions noted.

For a sample of meetings, we obtained and inspected the minutes where the Committee and Trustee reviewed the risks, as evidence of the stated procedures being followed.

No exceptions noted.



Trustee Board oversight of IT systems and administration processes

Summary

The Trustee Directors have agreed written financial authorities and service level requirements with the internal administration team to ensure that core financial transactions are processed promptly and accurately. This includes service standards for responses to member enquiries, transfers to and from the scheme, other benefit payments from the scheme to or in respect of members, investment switches, investment of contributions, lifestyle switches and reconciliation of member unit holdings to the investment manager.

The Trustee has put processes in place to ensure that core financial transactions are processed accurately and in a timely manner, including daily monitoring of bank accounts, clear processes for managing contributions and appropriate authorisation of investment and banking transactions (which includes at least two signatories).

The Finance and Operations Committee considers performance against service level requirements including the timeliness and accuracy of the processing of transactions, switches, contributions received and the investment of those contributions, member statistics, data quality, accuracy of benefit payments, contributions received late from employers, reconciliation of member unit holdings and a communications report. This is reported to the Trustee through the quarterly Governance Report.

The Finance and Operations Committee has delegated responsibility for IT, which it reviews on a quarterly basis, with the support of an external consultant. The administration system (Intellipen which is provided by Procentia) is used for all Sections of the Trust. Member data is held in the cloud and is subject to the system provider's IT controls. These have been reviewed by the Trustee with appropriate adviser support. All Cheviot laptops and portable devices including mobile phones have enforced password requirements. Trustee papers and Scheme or Section documentation are held on an extranet system provided by a third-party and Microsoft 365 held on Azure cloud environment. Access is restricted to authorised individuals and a password policy applied.

The obligations of Cheviot and the employers are set out in the documentation required for new employers for the Money Purchase Section. New Final Salary Schemes require tailored documentation and legal and professional advice. The With Profits Section does not accept new employers.

20. The Trustee Board monitors and reviews IT systems.

Control Procedure

The Finance and Operations Committee have delegated responsibility for reviewing and maintaining the IT systems as set out in the Governance Policy. It reviews the IT Dashboard which details key projects and issues.

Tests Performed

We obtained and inspected the Governance Policy, a sample of the IT Dashboard presented to the Finance and Operations Committee and minutes of the meetings where the IT Dashboard was reviewed, as evidence of the stated procedures being in place.

No exceptions noted.



The Trustee outsources Cheviot's IT maintenance and support to a third-party provider. The terms of the agreement include service levels agreed by the Trustee and require the IT provider to document Cheviot's systems.

Regular backups are in place, disaster recovery tests are carried out at least annually.

There were no changes to the service level agreement or systems in place for Cheviot during the year.

No exceptions noted.

We obtained and inspected backup schedules and confirmed backups are being performed regularly. We obtained and inspected the Disaster Recovery Plan, as evidence that this was carried out at least annually.

No exceptions noted.

21. The capacity to take on new business is assessed, approved and regularly monitored by the Trustee Board.

Control Procedure

Money Purchase Section

The Finance and Operations Committee reviews the capacity of its administration systems quarterly to ensure it has sufficient resources to meet any new business requirements. It reports to the Trustee through the Governance report.

Final Salary Schemes

The administration requirements for taking on a new Final Salary Scheme will vary depending on the specifics/requirements of the scheme. The requirements are established and considered before any new business is approved.

With Profits Section

The With Profits Section does not accept new business

Tests Performed

We obtained and inspected a sample of the Governance reports and minutes of the meetings where the reviews took place, as evidence of the stated procedure being followed.

No exceptions noted.

During the year, no new final salary schemes were taken on.

No exceptions noted.

The With Profits Section does not accept new business.

No exceptions noted.

22. Signed administration agreements are in place with service providers and include provisions for the rectification of maladministration. The agreements are approved by the Trustee Board.

Control Procedure

Tests Performed



The administration of the Trust is carried out by staff who are employed by Cheviot Trustees Limited and Cheviot Pension Services Limited. The Governance Policy sets out the agreed service standards for administration. The Governance Policy is reviewed annually by the Trustee.

A policy is in place for reporting and resolving errors and is reviewed annually. A financial reserve is held in Cheviot Trustees Limited to fund the rectification of maladministration.

We obtained and inspected the Governance Policy and evidence that Governance Policy was reviewed at least annually, as evidence of the stated procedures being in place.

No exceptions noted.

We obtained and inspected the Policy for Reporting and Resolving Errors as reviewed during the year and we observed that a financial reserve is held in Cheviot Trustees Limited, as evidence of the stated procedure being in place.

No exceptions noted.

23. The Trustee Board has arrangements in place for ensuring that core financial transactions (including decumulation related transactions) are processed promptly.

Control Procedure

The Trustee Directors have agreed written financial authorities and service level requirements with the internal administration team to ensure that core financial transactions are processed promptly and accurately. The Trustee reviews performance against these targets quarterly through the Governance report.

Tests Performed

We obtained and inspected the Governance Policy, a sample of the Governance reports and minutes of the Trustee meetings where the reports were reviewed by the Trustee, as evidence of the stated procedure being followed.

No exceptions noted.

24. The Trustee Board has arrangements in place for ensuring that core financial transactions (including decumulation related transactions) are processed accurately and that payments are authorised and suitably controlled.

Control Procedure

Processes are in place to ensure that core financial transactions are processed accurately and in a timely manner, including daily monitoring of bank accounts, clear processes for managing contributions and appropriate authorisation of investment and banking transactions (which includes at least two signatories). Performance against the agreed service standards is considered by the Finance and Operations Committee and reported to the Trustee in the Quarterly Governance report.

Tests Performed

We obtained and inspected a sample of the Governance reports and minutes of the meetings where the reviews took place, as evidence of the stated procedure being followed.

No exceptions noted.



The Trustee obtains a report from the Independent Scheme Auditor that documents the consistency of specific metrics and other information selected by the Trustee included within the Governance report. The report is prepared by agreeing the metrics and other information to source documentation on a sample basis during the year.

We obtained and inspected the report from the Independent Scheme Auditor that documents the consistency of specific metrics and other information selected by the Trustee included within the Governance report, as evidence of the stated procedure being followed.

No exceptions noted.

25. The Trustee Board ensures that member retirement options selected are processed and managed in accordance with documented procedures.

Control Procedure

A documented procedure manages the retirement process. This is reviewed biennially by the Legal Committee under delegated powers from the Trustee.

Tests Performed

We obtained and inspected the retirement process policy and evidence of its review during the year.

No exceptions noted.

26. The Trustee Board ensures that transaction errors are identified and rectified in accordance with a documented procedure.

Control Procedure

A policy sets out the procedure to be followed when a transaction error is identified (Policy for Reporting and Resolving Errors). It is reviewed annually. Transaction errors are reported to the Trustee through the Governance report.⁴

Tests Performed

We obtained and inspected the Policy for Reporting and Resolving Errors and minutes of the meeting where the procedure was reviewed during the year. For a sample of Governance reports, we obtained and inspected the reports and minutes of the Trustee meetings where the reports were reviewed by the Trustee, as evidence of the stated procedure being followed.

No exceptions noted.

27. The Trustee Board ensures that late and inaccurate contributions are pursued and resolved in accordance with documented procedures. Late contributions are reported to the trustees.

Control Procedure

A procedure is in place to identify late and inaccurate contributions (Identifying Late or Inaccurate Contributions Policy). The Reporting

Tests Performed

We obtained and inspected the Identifying Late or Inaccurate Contributions Policy and Policy for Reporting and Resolving Errors in place during the

⁴ Only errors resulting in a loss of £100 or more are reported.



and Resolving Errors policy sets out actions to be taken to resolve an issue once identified.

Late and inaccurate contributions are reported to the Trustee in the quarterly Governance reports.

year, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected a sample of the Governance reports and minutes of the Trustee meetings, as evidence of the stated procedure being followed.

No exceptions noted.

28. The Trustee Board ensures that contributions are invested and allocated in accordance with member instructions or the requirements of the default arrangement.

Control Procedure

Procedures are in place to ensure the accurate investment of contributions in accordance with member instructions. The Governance report, which is prepared quarterly, highlights any delays or errors in investments to the Trustee.

Tests Performed

We obtained and inspected the procedures in place to ensure the accurate investment of contributions in accordance with member instructions. For a sample, we obtained and inspected the Governance reports and minutes of the Trustee meetings where the reports were reviewed by the Trustee, as evidence of the stated procedure being followed.

No exceptions noted.



Data quality

Summary

The Trustee has established an annual process for reviewing the quality of the member data, based on the Pension Regulator's targets for common data and those set by the Trustee for conditional data. In this context, the Trustee considers what further actions should be taken to improve data either generally or targeted on particular areas. The Trustee receives updates on data scores in each quarterly governance report.

29. The Trustee Board ensures member data is complete and accurate and is subject to regular data evaluation.

Control Procedure

The Trustee has agreed targets for the completeness and accuracy of the common and conditional data it holds for all members of Cheviot. It reviews the data against these targets annually.

Tests Performed

We obtained and inspected the common and conditional Data Report and minutes of the Trustee meeting where the update report and data targets were reviewed, as evidence of the stated procedure being followed.

No exceptions noted.



Communication and Reporting

Summary

Cheviot has received industry awards for its clear communication and jargon free approach, which encourages engagement with members and was also shortlisted for the Professional Pensions award in 2022 for 25 years of Excellence in Defined Contribution.

The Strategic and Operations Plan includes details of the core communications to members and employers and details the timescales requirements to members and employers. Procedures and detailed checklists ensure that the retirement process is managed in accordance with relevant legislation and internal protocol.

The Trustee issues a report each year to all members which includes topical and relevant articles and explains how members can pass on feedback about how the Trust is managed. We also include contact details throughout the website which enables members to write to a specific email address: people@cheviottrust.com. Any comments are considered by Cheviot staff under delegated authority from the Trustee and significant feedback reported to the Risk and Compliance Committee if appropriate.

30. The Trustee Board maintains a documented member communications plan which is regularly reviewed.

Control Procedure

The Strategic and Operations plan includes communications and details key communication projects, priorities and timescales. It is reviewed quarterly by the Risk and Compliance Committee.

The communication policy is set out in the Governance Policy and reviewed annually.

The quarterly Governance report sets out key communications during the period.

Tests Performed

We obtained and inspected the Strategic and Operations plan and for a sample of meetings, the minutes where the plan was reviewed, as evidence of the stated procedures being followed.

No exceptions noted.

We obtained and inspected the Governance Policy and evidence that Governance Policy was reviewed at least annually, as evidence of the stated procedures being in place.

No exceptions noted.

We obtained and inspected a sample of the Governance reports, as evidence of the stated procedure being in place.

No exceptions noted.

31. Arrangements are in place for ensuring that the quality and accuracy of member communications are assessed by the Trustee Board

Control Procedure

Tests Performed



The communication policy is set out in the Governance policy and includes strategies to support the communication objectives and guidelines to produce communications. Communications are a standing item on the Risk and Compliance Committee agenda which considers core issues and provides feedback and guidance.

Communications are also reported to the Trustee in the quarterly Governance report.

All significant communications are discussed with one or two members of the Trustee (usually a member representative trustee and/or the Chair) and advisers where necessary before being finalised. The Report to Members was reviewed by two member representatives and the Chair in 2023.

We obtained and inspected the Governance Policy and for a sample of meetings, the minutes where the communications were on the agenda, as evidence of the stated procedures being followed.

No exceptions noted.

We obtained and inspected a sample of the Governance reports, as evidence of the stated procedure being in place.

No exceptions noted

We obtained and inspected evidence of the discussions with one or two members of the Trustee and advisers for the significant changes to communications during the year, as evidence of the stated procedure being followed.

No exceptions noted.

32. The Trustee Board has established a process for reporting member feedback (including issues raised by members) and complaints to the trustees, including resolution procedures. Member feedback and issues are logged and reviewed by the Trustee Board.

Control Procedure

The Chief Executive has delegated responsibility for considering communication issues, including feedback from members and employers, as set out in the Governance policy.

The process for considering complaints is set out in the Governance Policy which is reviewed annually. Complaints and errors are included within the quarterly Governance report. The Trustee received an analysis of complaints annually as part of the training on the IDR process.

Tests Performed

We obtained and inspected the Governance Policy as evidence of the stated procedure being in place.

No exceptions noted.

We obtained and inspected the Governance Policy, evidence that Governance Policy was reviewed at least annually, a sample of the Governance reports and the annual analysis provided to the Trustee, as evidence of the stated procedures being in place.

No exceptions noted.



Overview of governance structure

The Trustee's approach to governance is based on retaining a high level of oversight whilst making the decision making process as efficient as possible. This is achieved by delegating powers to a range of specialist Committees effective detailed discussions to allow the Trustee to focus on key business and regulatory issues.

The **Finance and Operations Committee** reviews all operational issues, including audit and accounting functions and the AAF reports.

The **Funding Committee** is responsible for all defined benefit and cash balance funding issues and works closely with the Scheme Actuaries.

The **HR Committee** has a wide brief in relation to employment issues.

The **Investment Committee** has a wide brief in relation to all investment issues.

The **Legal Committee** is responsible for all legal issues and has delegated powers to sign off changes to the Trust Deed and Rules.

The **Risk and Compliance Committee** focuses on risk and compliance with delegated powers to sign off regulatory documents.

This structure enables the Trustee to focus on strategy and business plans together with review of advisers and oversight of Committees and the Chief Executive. A detailed Governance report is produced quarterly and includes reports from each Committee, RAG rated to identify key issues. Any significant issues which need Trustee consideration are raised as separate agenda items.



Accepting clients

Summary

New employers joining the Money Purchase Section are required to sign an application form which sets out the obligations of both the employer and Cheviot.

A Final Salary Scheme which wishes to participate in Cheviot does so through a deed of substitution and amendment. Cheviot Trustees Limited replaces the previous trustee(s) and the relevant scheme documentation is amended to allow the operational provisions of the Cheviot deed to apply. The administration and payroll is transferred to Cheviot in accordance with an agreed transition plan to ensure a seamless switch for members.

The With Profits Section is closed to new employers.

1.1 New client agreements and amendments are authorised prior to initiating pension administration activity

Control Procedure	Tests Performed
<p>Money Purchase Section</p> <p>New employers are required to sign an application form approved by the Trustee’s lawyers which sets out the obligations of both the employer and Cheviot. The new employer policy is reviewed biennially by the Legal Committee.</p>	<p>We obtained and inspected the new employer policy and minutes of the Legal Committee meeting where it was reviewed. For a sample of new employers, we obtained and inspected the application form completed by the new employer, as evidence of the stated procedure being followed.</p> <p>No exceptions noted.</p>
<p>Final Salary Schemes</p> <p>The Trustee considers professional advice before approving the acceptance of a new Final Salary Scheme. The documentation required to enable a Final Salary Scheme to join Cheviot will include a deed of amendment and substitution and is tailored to the specific scheme.</p> <p>A system and data amendment controls policy are used across all Schemes which accept new business. A Final Salary project plan shows the necessary steps required to take on a scheme in accordance with the scheme rules and Cheviot’s Trust Deed and Rules.</p>	<p>There were no new Final Salary Schemes joining during the year.</p> <p>No exceptions noted.</p> <p>We obtained and inspected the system and data amendment controls and the policy for taking on new Final Salary Schemes.</p> <p>No exceptions noted.</p>



With Profits Section

The With Profits Section does not accept new business

The With Profits Section does not accept new business.

No exceptions noted.

1.2 Pension scheme member details and accounts are completely and accurately set up onto relevant systems in accordance with the scheme rules and individual elections

Control Procedure

Money Purchase Section

A New Money Purchase Employer policy is in place. All new qualifying Employers are required to sign an application form prior to joining which sets out the relevant responsibilities. The form then leads to the creation of the relevant records within the Intellipen administration system.

A detailed procedure is in place for new members joining the Money Purchase Section as an employee of an existing employer. This procedure along with automated workflows ensures that member details are accurately set-up within the administration system, Intellipen.

Final Salary Section

A policy for the taking on of new Final Salary Schemes is in place which details the steps required.

With Profits Section

This Section does not accept new members

Tests Performed

We obtained and inspected the New Money Purchase Employer policy confirming it is in place. For a sample of new employers, we obtained and inspected the application form completed by the new employer, as evidence of the stated procedure being followed.

No exceptions noted.

We have obtained and inspected the Money Purchase Section new member joining existing participating employer procedure confirming it is in place. For a sample of new money purchase members, we have confirmed that procedures have been completed in accordance with automated workflows.

No exceptions noted.

We obtained and inspected the policy for taking on new Final Salary Schemes, as evidence of the stated procedure being in place.

No exceptions noted.

The With Profits Section does not accept new business.

No exceptions noted.



1.3 Opening balances for client take-ons are completely and accurately recorded and communicated to clients in line with client instructions.

Control Procedure	Tests Performed
<p>Money Purchase Section</p> <p>Opening balances not applicable for this Section.</p>	<p>Opening balances are not applicable for the Money Purchase Section.</p> <p>No exceptions noted.</p>
<p>Final Salary Section</p> <p>A policy for the taking on of new Final Salary Schemes is in place which details the steps required regarding opening balances for take-ons.</p>	<p>We obtained and inspected the policy for taking on new Final Salary Schemes, as evidence of the stated procedure being in place.</p> <p>No exceptions noted.</p>
<p>With Profits Section</p> <p>This Section does not accept new members.</p>	<p>The With Profits Section does not accept new members.</p> <p>No exceptions noted.</p>



Authorising and processing transactions

Summary

Contributions to the Money Purchase Section are paid in accordance with a schedule determined for each employer with contributing members. Payments are monitored closely for timeliness and consistency against the expected contributions. Transfers in may be received for both existing and new members and are invested in accordance with the investment timetable.

Contributions to Final Salary Schemes are paid in accordance with scheme specific schedules of contributions. Payments are monitored closely for both timeliness and against the relevant schedule. Contributions are invested in line with the agreed investment strategy, set out in the scheme specific Statement of Investment Principles.

The With Profits Section is closed to future contributions in respect of members.

The administration system (Intellipen) is used for all schemes within the Trust.

Detailed processes are in place for authorising and processing transactions. Data files from Money Purchase Section employers are uploaded onto the administration system using an automated validation routine. Money purchase contributions are allocated in accordance with member investment choice or the default strategy and are invested according to an investment timetable. Transfers between investment options are processed following an instruction from the member. Lifestyle investment switches are automated. Unit reconciliations are undertaken.

Member details used in benefit calculations such as salary, service details and AVC values are updated regularly in the administration system. Peer review and authorisation processes are in place for all benefit payments. Detailed reconciliations form part of the pensioner payroll process. A payroll checklist for each payroll is completed. Transfers out are calculated using either automated workflow processes or are calculated manually by the Scheme Actuary.

2.1 Contributions and transfers-in received, and where applicable allocation of members' funds to investment options are processed completely, accurately and within agreed timescales

Control Procedure

Money Purchase Scheme

Member contributions received are reconciled upon receipt and invested in accordance with an investment timetable. Exception reports are produced by the system and variances investigated.

Transfers in received within the Money Purchase Section are processed upon receipt of the monies and appropriate documentation to accompany them. The funds are invested in accordance with an investment timetable, checklists and authorised by workflows.

Tests Performed

For a sample of contributions received, we inspected that they were reconciled upon receipt, invested in accordance with the investment timetable and that exception reports were generated and variances investigated when present, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of transfers in received, we inspected that they were carried out in accordance with an investment timetable, checklists and workflows, as evidence of the stated procedure being followed.

No exceptions noted.



Unit holdings are reconciled to the investment platform provider records at least monthly. Transactions are carried out in line with the investment timetable.

Final Salary Schemes

Compliance reports are completed and reviewed monthly to ensure that contributions received are invested in accordance with the Statement of Investment Principles. Employer contributions are invested in accordance with an investment timetable.

With Profits Section

No contributions are due to the With Profits Section currently.

All Sections

Procedures are in place to ensure that core transactions are dealt with promptly and accurately. Governance reports are provided to the Trustee each quarter which review financial transactions against agreed service standards.

For a sample of dates, we inspected that the unit holdings were reconciled to the investment platform provider records, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected a sample of compliance reports, the investment timetable and for a sample of investment dates on the timetable, inspected that the contributions received were accurate and invested in accordance with the timetable, as evidence of the stated procedure being followed.

No exceptions noted.

There are no With Profits Section contributions received during the year.

No exceptions noted.

We obtained and inspected the procedures in place to ensure core transactions are dealt with promptly and accurately. We obtained and inspected a sample of the Governance reports and minutes of the Trustee meetings, as evidence of the stated procedure being followed.

No exceptions noted.

2.2 Switches of members' funds between investment options and other rebalancing transactions are processed completely, accurately and within agreed timescales.

Control Procedure

All Sections

Automated workflow processes along with a checklist are in place to ensure that re-balance instructions are processed completely and accurately and in accordance with an investment timetable.

Member switch instructions received are processed within an agreed timescale.

Tests Performed

For a sample of re-balancing instructions, we tested that they were processed in accordance with agreed workflows and the investment timetable, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of member switch instructions, we tested that they were processed within agreed



The quarterly lifestyling rebalance procedure is completed for each member of the Money Purchase Section who invests in the default, the Cheviot Lifeplan.

timescales, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of quarterly lifestyle rebalance procedures we have obtained and inspected supporting workflows confirming they were completed within agreed timescales, as evidence of the stated procedure being followed.

No exceptions noted.

Governance reports are provided to the Trustee each quarter which review switches against agreed service standards.

We have obtained and inspected a sample of Governance reports provided to the Trustee and confirm they review switches against agreed service standards, as evidence of the stated procedure being followed.

No exceptions noted.

2.3 Benefits payable and transfer values are calculated in accordance with scheme rules and relevant legislation and are paid within agreed timescales

Control Procedure

Money Purchase transfer values and benefits are calculated and paid in accordance with procedures including checklists and workflows. The workflows are produced by the administration system.

Tests Performed

For a sample of Money Purchase calculations, we inspected that they were carried out by the administration team in accordance with the checklists and workflows, as evidence of the stated procedure being followed.

No exceptions noted.

Final Salary Transfer value calculations are carried out by the Scheme Actuary in accordance with agreed procedures and in compliance with the relevant legislation and Scheme rules as set out in the Policy.

For a sample of transfer value calculations, we inspected that they were carried out by the Scheme Actuary and in accordance with agreed procedures, as evidence of the stated procedure being followed.

No exceptions noted.

With Profit Scheme Transfer value calculations are carried out by the administration system or on a spreadsheet using underlying factors provided by the Scheme Actuary in accordance with agreed procedures and in compliance with the relevant legislation and Scheme rules as set out in the Policy.

For a sample of with profits transfer value calculations, we inspected that they were carried out internally by the administration team using the administration system or the spreadsheet using underlying factors provided by the Scheme Actuary, as evidence of the stated procedure being followed.

No exceptions noted.



Final Salary Schemes and With Profits Section

The transfer value bases are reviewed annually and agreed by the Funding Committee. The transfer value calculation policy is reviewed biennially.

Benefits are calculated and paid in accordance with procedures and in compliance with the relevant legislation and Scheme rules.

Governance reports are provided to the Trustee each quarter which include details of any payments outside the agreed service standards.

We obtained and inspected the minutes of the Funding Committee meeting where the transfer value bases were reviewed for the Final Salary Section and With Profits Section. We obtained and inspected the transfer value calculation policy as reviewed during the year.

No exceptions noted.

We obtained and inspected the procedure for benefits calculated in accordance with Scheme rules. For a sample of benefits calculated, we inspected that they were calculated in accordance with the procedure and were checked and authorised internally before issue, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected a sample of the Governance reports and minutes of the Trustee meetings, as evidence of the stated procedure being followed.

No exceptions noted.



Maintaining financial and other records

Summary

The Trustee reviews the quality of the member data annually, based on the Pension Regulator’s targets for common and conditional data. Members can update their data using a secure member website which requires a unique user log-in and password authentication. Member correspondence is scanned onto a document management system and filed with the member record for reference.

Exception reports produced by the administration system are used to investigate Money Purchase Section member contributions which differ to standing data held within the administration system.

Regular bank reconciliations and cash flow forecasting identify cash requirements. Reconciliations between the administration systems and the accounting system ensure that benefits processed are invoiced and recorded appropriately. Reconciliations between the investment manager records and administration records after each investment transaction ensure the member investment data is accurate.

Scheme documentation including policies, contracts and guides to services are retained securely in document management systems with appropriate access restrictions and version controls.

Microsoft’s Business Central application is used for accounting purposes.

Mobius Life is the Trust’s appointed investment platform provider. Instructions are sent to Mobius Life via an electronic file (in csv format) through a secure document sharing portal. The use of an investment platform means that Cheviot’s systems do not transact directly with investment managers. Assets are held by Mobius Life in blended funds which invest in the underlying managers.

3.1 Member records consist of up-to-date and accurate information

Control Procedure

The Trustee has agreed targets for the completeness and accuracy of the common and conditional data it holds for all members of Cheviot. It reviews the data against these targets annually.⁵

Money Purchase Section unit holdings are reconciled in accordance with an investment timetable.

Tests Performed

We obtained and inspected the common and conditional Data Report and minutes of the Trustee meeting where the update report and data targets were reviewed, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of dates, we inspected that the unit holdings were reconciled in accordance with the investment timetable, as evidence of the stated procedure being followed.

No exceptions noted.

⁵ Governance policy, 5.11-5.12



Member data is reviewed for completeness before any calculations are undertaken.

For a sample of calculations, we inspected that member data was reviewed before the calculation was undertaken as a part of the calculation procedure, as evidence of the stated procedure being followed.

No exceptions noted.

3.2 Requests to change member records are validated for authenticity

Control Procedure

Detailed procedures along with automated data maintenance workflows are in place to ensure that all member changes are input into the system and are appropriately authorised. Member requests are securely held against the relevant record for future reference.

Tests Performed

We obtained and inspected the procedures for updating general member information which covers that the automated data maintenance workflows are in place. For sample of changes to member records we have confirmed that procedures have been completed in accordance with automated workflows.

No exceptions noted.

3.3 Contributions and benefit payments are completely and accurately recorded in the proper period

Control Procedure

Money Purchase Section

Detailed reconciliations of the member unit holdings to the investment platform provider records are completed in accordance with an investment timetable.

Member contributions received are reconciled against member records and then invested in accordance with an investment timetable.

Final Salary Schemes

Compliance reports are completed and reviewed monthly to ensure that contributions received are in accordance with the Schedule of Contributions. Employer contributions are

Tests Performed

For a sample of dates, we inspected that the unit holdings were reconciled to investment platform provider records in accordance with the investment timetable, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of contributions received, we inspected that they were reconciled against the administration system and invested in accordance with the timetable, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected a sample compliance reports, the investment timetable and for a sample of investment dates on the timetable, inspected that they were invested in accordance with the



invested in accordance with an investment timetable.

With Profits Section

No contributions are currently received.

All Sections

Procedures are in place to ensure that core transactions are dealt with promptly and accurately recorded. These procedures include the investment and disinvestment of contributions, quarterly rebalancing and the posting and application of members' contributions.

Governance reports are provided to the Trustee each quarter which review financial transactions within the quarter against Trustee agreed service standards.

All benefit payments are processed based on a checklist or workflow, following appropriate authorisation. Payment entries are recorded and regularly reconciled against the bank in accordance with the Bank Reconciliation Policy.

timetable, as evidence of the stated procedure being followed.

No exceptions noted.

There were no With Profit Section contributions received during the year.

No exceptions noted.

We obtained and inspected the procedures in place to ensure that core transactions are dealt with promptly and accurately. These procedures include the investment and disinvestment of contributions, quarterly rebalancing and the posting and application of members' contributions.

No exceptions noted.

We obtained and inspected a sample of the Governance reports and minutes of the Trustee meetings, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of benefit payments, we inspected that they were processed based on a checklist following appropriate authorisation and that payment entries are recorded and regularly reconciled against the bank statement in accordance with the Bank Reconciliation Policy.

No exceptions noted.

3.4 Investment transactions, balances and related income are completely and accurately recorded in the proper period

Control Procedure

The reconciliations of holdings are undertaken after every investment and disinvestment transaction in accordance with the investment timetables for each Section or Scheme and at the end of each month. Investment platform provider records are reconciled to the Business Central accounting ledger.

Tests Performed

For all sections (final salary, money purchase and with profits), we obtained and inspected reconciliations of holdings completed for a sample of investment exercise dates from their respective timetables. We inspected that investment platform provider records were compared to the accounting



ledger, as evidence of the stated procedure being followed.

No exceptions noted.



Safeguarding Assets

Summary

Access to the network is restricted via robust password policies managed by an outsourced third-party IT provider. There are internal authorised signatories for each of the bank accounts. Two trustee director signatories are required to make any changes to the bank mandate. Payments created require dual authorisation with only specific permitted roles enabled to process payments to ensure segregation of roles. Cash sweeping arrangements are applied, where appropriate, to ensure appropriate cash levels are maintained. This process is supported by the routine bank reconciliation and investment procedures.

4.1 Member records are securely held and access is restricted to authorised individuals

Control Procedure

Member electronic data is stored either:

- (i) the pensions administration system, Intellipen, provided by Procentia. Intellipen is cloud hosted or
- (ii) in cloud based packages including Microsoft 365 and Business Central (accounting package) or
- (iii) a document sharing service hosted by Files.com for secure sharing of documents and communications with advisers and employers.

All systems are protected by domain usernames and passwords or individual user authentication.

Functional groups of users are maintained, each with appropriate levels of access permissions based upon their job function.

Hard copy member files are scanned and stored externally/offsite at a secure location.

Procedures protect against unauthorised or inadvertent amendments to data.

Tests Performed

We inspected and tested that logical access to cloud services is maintained by Cheviot staff or the third-party service provider and that all systems are protected by domain usernames and passwords or individual user authentication, as evidence of the stated procedure being followed.

No exceptions noted.

We inspected and tested that functional group of users are maintained, each with appropriate levels of access permissions based upon their job function, as evidence of the stated procedure being followed.

No exceptions noted.

We observed that member files are scanned and stored externally/offsite at a secure location as evidence of the stated procedure being followed.

No exceptions noted.

We obtained a copy of the System and Data Amendment control policy to confirm that procedures were in place to protect against



unauthorised or inadvertent amendments to data during the year.

No exceptions noted.

4.2 Cash in scheme bank accounts is safeguarded and payments are suitably authorised

Control Procedure

Cheviot only uses a registered bank which is regulated by the Financial Conduct Authority in accordance with the Bank Policy.

A bank mandate is in place, along with strictly controlled Internet banking access which ensures segregation of duties for payments.

Financial authorities are in place and are reviewed by the Finance and Operations Committee and Trustee on an annual basis.

Bank reconciliations are completed monthly. This applies to all Sections.

Tests Performed

We obtained a copy of the Bank Policy in place during the year. There were no new bank accounts opened during the year.

No exceptions noted.

We obtained and inspected the bank mandate. For a sample of payments, we inspected that the segregation of duties on the internet banking was in operation, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected the minutes of the Finance and Operations Committee and Trustee meetings which included the review of the financial authorities in place, as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of months, we obtained and inspected the bank reconciliations for all Sections, as evidence of the stated procedure being followed.

No exceptions noted.



Managing and monitoring compliance and outsourcing

Summary

Contributions are monitored to ensure that contributions are received in line with Scheme rules and relevant legislation.

Service standard timescales for communications with members and pensioners are monitored by the Risk and Compliance Committee and reported to the Trustee through the quarterly Governance report.

Complaints are handled in a timely manner by the Chief Executive’s Office which also identifies any remedial action necessary. The Governance Policy details the error reporting policy, this is combined with the error reporting procedure. In addition, an error reporting log is maintained and reviewed by senior members of staff. Formal complaints are reported to the Trustee quarterly through the Governance Report and reviewed for any trends.

5.1 Receipts of contributions are monitored against required timescales.

Control Procedures

Money Purchase Section

Member contributions are reconciled against the administration records in accordance with the procedure after each investment and disinvestment transaction.

Service level agreements are in place to ensure that contributions are invested within legislative timescales. These are reported to the Trustee quarterly in the Governance report.

Final Salary Schemes

Compliance reports are completed and reviewed monthly to ensure that contributions received are on time and in accordance with the Schedules of Contributions.

With Profits Section

No contributions are currently due.

Tests Performed

For a sample of contributions, we inspected that they were reconciled in accordance with the procedure after each investment and disinvestment, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected a sample of the Governance reports and minutes of the Trustee meetings, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained a sample of the monthly compliance reports and inspected that they were completed and reviewed, as evidence of the stated procedure being followed.

No exceptions noted.

There were no With Profits Section contributions during the year.

No exceptions noted.



5.2 Pensions administration activities are governed by service level agreements that are authorised and subject to regular review. Service performance is regularly monitored and assessed against the standards set out in service level agreements.

Control Procedure

The administration of the Trust is carried out by staff who are employed by Cheviot Trustees Limited and Cheviot Pension Services Limited. The service standards against which the performance of the Internal Cheviot team is measured are set out in the Governance policy which is reviewed annually by the Trustee.

Performance against the agreed service standards reported to the Trustee in the Quarterly Governance reports.

Tests Performed

We obtained and inspected the Governance Policy which documents the service standards against which the performance of the internal Cheviot team is measured, along with the evidence that the Governance Policy was reviewed in the year.

No exceptions noted.

We obtained and inspected a sample of the Governance reports and minutes of the Trustee meetings, as evidence of the stated procedure being followed.

No exceptions noted.

5.3 Transaction errors are identified, reported to clients and resolved in accordance with established policies.

Control Procedure

A policy sets out the procedure when a transaction error occurs in the Money Purchase Section (Policy for Reporting and Resolving Errors).

The Internal Dispute Resolution Procedure is in place to provide members with a formal process in which to make a complaint if necessary

Tests Performed

We obtained and inspected the Policy for Reporting and Resolving Errors, which documents its review in the year.

No exceptions noted.

We obtained and inspected the Internal Dispute Resolution Procedure and evidence of its review in the year. There were no complaints during the year.

No exceptions noted.



Reporting to clients

Summary

Final Salary scheme sponsors receive quarterly management reports and regular funding updates, together with annual accounts and relevant actuarial reports.

Cheviot pension members received notification of annual benefit statements each year. The relevant administration routines are tested before use in the live environment and validation routines take place ensuring that any anomalies in the production are identified and rectified. Members access the statements via the member portal.

The Annual Report and Accounts are prepared promptly after the year end. Accounts are prepared in accordance with the Statement of Recommended Practice. An annual report is issued to all members.

6.1 Periodic reports to participants and scheme trustees are complete, accurate, and provided within required timescales

Control Procedure

Members

The Strategic and Operations Plan includes the production of Cheviot pension Benefit Statements. The Procedure for producing Benefit Statements sets out the process. All Money Purchase Section and deferred With Profits Section members receive annual benefit statements, based on a statutory money purchase illustration, within the required timescale. The statement is in line with the DWP simpler benefit statement guidance.

All Final Salary members are deferred and therefore annual benefit statements are not required.

Summary funding statements are made available within required timescales as agreed with the Scheme Actuary to all Final Salary and With Profits members following the Summary Funding Statement procedure.

A Report to members, including financial information, was made available to all members

Tests Performed

For a sample of members, we obtained and inspected a benefit statement as evidence of the stated procedure being followed.

No exceptions noted.

All Final Salary Schemes are now closed to active membership and there is no requirement to issue annual benefit statements.

No exceptions noted.

We obtained the Summary Funding Statement procedure and we inspected that for a sample of Schemes, summary funding statements had been issued within required timescales, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected Communications procedures Policy and the Report to members and observed evidence of the exercise undertaken to



and pensioners following the procedure set out in the Communications Procedures Policy.

Employers

Statutory accounts are signed within the statutory timescales for the Cheviot Pension accounts as set out in the Preparation of annual report and accounts policy. They are made available to Money Purchase and With Profits employers on the website.

Statutory accounts are signed within the statutory timescales for Final Salary Schemes.

A quarterly management report is issued to Final Salary Employers including a regular estimate of the funding position, in accordance with the Management Report procedure.

make available the Report to members and pensioners during the year, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected the Preparation of annual report and accounts policy and the Cheviot Pension statutory accounts, as evidence of the stated procedure being followed. We observed that the Cheviot Pension accounts are available to employers.

No exceptions noted.

We obtained and inspected the Preparation of annual report and accounts policy and inspected that for a sample of the Final Salary Scheme accounts, they were signed within the statutory timescales.

No exceptions noted.

We obtained and inspected the Management Report procedure and inspected that for a sample of Final Salary Employers, a quarterly management report was issued, as evidence of a stated procedure being followed.

No exceptions noted.



Information Technology

Restricting access to systems and data

Summary

Cheviot incorporates IT security practices to ensure maximum environment stability and security with minimal downtime from potential security threats. The third-party IT provider has policies in place for continual updating of operating systems with industry standard security patches. A 24-hour intrusion detection monitoring system is in place. Filtering tools and anti-virus software add further resilience to the threat of malicious attacks. All Cheviot laptops and portable devices including mobile phones have enforced password requirements.

Access to Cheviot’s offices is restricted to authorised personnel by an automated access entry system.

All Cheviot policies are outlined in an Employee Handbook which is given to all new employees upon induction. The Handbook is made available on the extranet and is updated to reflect changes in practices when necessary.

User profiles are defined by relevant senior management and set up by an external IT provider during the employee induction process. Employees are only provided with access to applications appropriate to their function and at a level commensurate with their role and responsibility. Unauthorised access to company systems is prevented using user login IDs and passwords. Administrator permissions are restricted within the network and to key applications. Authentication is required to access the network remotely.

Key systems, including the Administration and Finance systems, have logical configuration established to ensure that enforced segregations are in place for key processes. The systems have different user profiles available to ensure that only necessary access is granted and management review user access to ensure it remains appropriate to users’ roles. On request, the third-party IT provider will create an appropriate user ID. When a member of staff leaves their user access is removed. A list is maintained of personnel authorised to request access changes for users.

7.1 Physical access to in-scope systems is restricted to authorised individuals

Control Procedure	Tests Performed
<p>Member electronic data is stored either:</p> <ul style="list-style-type: none"> (i) the pensions administration system, Intellipen, provided by Procentia. Intellipen is cloud hosted or (ii) in cloud based packages including Microsoft 365 and Business Central (accounting package) or (iii) a document sharing service hosted by Files.com for secure sharing of documents and communications with advisers and employers. 	<p>We inquired with Cheviot and confirmed that the electronic data are hosted and managed externally, or held on servers in the cloud (internally managed).</p> <p>No exceptions noted.</p>



7.2 Logical access to In-scope systems and data is restricted to authorised individuals in accordance with job roles and/or business requirements

Control Procedure

Members of staff are allocated usernames and passwords to access services and network devices by the third party IT provider. These passwords expire after a period in accordance with the IT Password Change Policy and users are prompted to change them.

Procedures for joiners and leavers are in place (New Employee Joining and Staff Leaving Employment Procedure).

Tests performed

We obtained and inspected the user access lists and system access matrix and confirmed staff members are allocated usernames and provided appropriate access in line with their job role. We obtained and inspected the IT Password Change Policy and observed that passwords expire and users are prompted to change them, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected the procedures in place for joiners and leavers and confirmed these were reviewed and for a sample of joiners and leavers, we confirmed the process was implemented within the year of testing.

No exceptions noted.

7.3 Client and third-party access to In-scope systems and data is restricted and/or monitored

Control Procedure

Client and third party access is made available to two in-scope systems, the secure document sharing service provided by Files.com and the member portal. Files.com is used to transfer data between Cheviot, scheme advisers and firms. The data is transferred over an encrypted secure connection. The access controls are set out in the Data Transmission Policy. The member portal is accessed through the member website, mycheviotpension.com. The portal uses a direct API from the website provider, Wordshop, to the pensions administration system, Intellipen. Access to the member portal is through a registration process using a secure two-factor authentication process. The registration process requires detailed member information and nine-digit unique registration number which members receive in a separate communication. There are strict password requirements and two-factor authentication is achieved through a six-digit code.

Tests Performed

We obtained and inspected the Data Transmission Policy as evidence of the access controls set out for Files.com, details of the encrypted secure connections in place at Files.com and we observed the secure two-factor authentication process for access to the member website as evidence of the stated procedures being followed

No exceptions noted.



7.4 Segregation of incompatible duties within and across business and technology functions is formally defined, implemented, updated and enforced by logical security controls

Control Procedure	Tests Performed
<p>A system access matrix is maintained and reviewed annually to ensure that staff members' access is appropriate for their role.</p>	<p>We obtained and inspected the user access lists and system access matrix and confirmed staff members are provided appropriate access in line with their job role. We also obtained and inspected evidence of its review, as evidence of the stated procedure being followed.</p> <p>No exceptions noted.</p>
<p>Functional groups of users are maintained, each with appropriate levels of access permissions based upon their job function.</p>	<p>We inspected and tested that functional group of users are maintained, each with appropriate levels of access permissions based upon their job function, as evidence of the stated procedure being followed.</p> <p>No exceptions noted.</p>



Maintaining integrity of the systems

Summary

Any changes to live systems must be authorised by the appropriate member of staff. A list of authorised personnel for each system is maintained. IT processes are documented.

Clients utilise a cloud hosted third-party document sharing service for secure file transfers. Standard templates are used as far as possible to enable efficient and accurate upload and maintenance of the data held.

The administration system (Intellipen) is used for all Sections of the Trust. Data for these schemes are held in the cloud and is subject to the system provider’s IT controls. These have been reviewed by the Trustee with appropriate advisor support.

8.1 Scheduling and internal processing of data is complete, accurate and within agreed timescales

Control Procedure

IT processing for Cheviot is outsourced to a third-party provider, either the IT provider or the pensions administration provider.

Tests Performed

Through inquiry, we have confirmed that IT processing for Cheviot is outsourced to a third-party provider, either the IT provider or the pensions administration provider.

No exceptions noted.

8.2 Transmission of data to/from external parties is complete, accurate, executed within agreed timescales and secure in line with external party agreements

Control Procedure

A third-party cloud document sharing portal service is used for member data received from employers according to a written policy which is reviewed biennially (Data Transmission Policy).

Tests Performed

We obtained and inspected the Data Transmission Policy and access logs, as evidence of the stated procedure being followed. There were no changes to the third-party cloud document sharing portal during the year.

No exceptions noted.

8.3 Network perimeter security devices are installed and changes are tested and approved

Control Procedure

IT security for Cheviot is outsourced to a third-party provider. The security includes a firewall and deployment of licensed software that

Tests Performed

Through inquiry and inspection, we noted that the service provided by the third-party provider includes a firewall and deployment of licensed software that manages the roll out of the antivirus updates on user



manages the roll out of antivirus updates on user computers and mail servers.

Security for the administration system is the responsibility of the provider.

computers and mail servers and that the security of the administration system is the responsibility of the provider.

No exceptions noted.

8.4 Anti-virus definitions are periodically updated across all terminals and servers, deployment and settings are periodically reviewed and updated when required; and patterns of attempted external breaches are monitored

Control Procedure

IT security is outsourced to a third-party provider. The security includes a firewall and deployment of licenced software that manages the roll out of antivirus updates on users' computers. The software sends an email automatically in the event of an unusual event to the third-party provider who will then investigate.

The system provides detailed reports of activity to enable the third-party provider to review and identify any specific issues.

A quarterly IT Dashboard is presented to the Finance and Operations Committee. This includes a report on firewall activity.

Tests Performed

Through inspection we confirmed that IT security is outsourced to a third-party provider that manages the roll out of antivirus updates on users' computers. We inspected the support agreement and confirmed that notifications will be sent to OCS for any antivirus events, as evidence of the stated procedure being followed.

No exceptions noted.

We inspected that the system was setup to detect and report on unusual network activity, as evidence of the stated procedure being followed.

No exceptions noted.

We obtained and inspected a sample of IT Dashboards and confirmed their review by the Finance and Operations Committee, as evidence of the stated procedure being followed.

No exceptions noted.

8.5 Data received from external parties is scanned for known vulnerabilities, any compromised data is quarantined and definitions of threats are periodically updated

Control Procedure

IT Security is outsourced to a third-party provider. Licenced software is in place which ensures that data is scanned for known vulnerabilities before the relevant file is received by Cheviot. Any items identified as having possible issues are quarantined and alerts are sent to the third-party provider for analysis.

Tests Performed

Through inspection we confirmed that IT security is outsourced to a third-party provider and that licenced software are in place and setup to scan all files received and to identify known vulnerabilities. We inspected a sample of emails and the antivirus management console to confirm that the third-party provider receives notifications of vulnerabilities or



antivirus issues, as evidence of the stated procedure being followed.

No exceptions noted.



Maintaining and developing systems hardware and software

Summary

Cheviot adopts formal project management methodologies. These methods ensure that appropriate authorisation, testing and approvals are granted in controlled test environments before being released into live production. All changes must be authorised and there is segregation between those requesting and approving the change.

A standard approach is adopted for the validation and loading process for data migrations from third-party sources. All data is subject to thorough data cleansing with validation testing carried out as appropriate. Parallel payroll running is carried out before administration is undertaken in the live system.

9.1 Development and implementation of both in house and third-party In-scope systems are authorised, tested and approved

Control Procedure

The IT provider controls upgrades and new software applications except the administration system.

Standard updates to the administration system package are applied automatically by Procentia according to an agreed schedule. Procentia produce a delivery note for each software release which includes details of the change and the recommended testing to be performed by Cheviot.

Any bespoke system development on Intellipen is tested before being applied to the system by Procentia according to an agreed schedule.

Tests Performed

For a sample of upgrades and new software applications carried out by the IT provider, we inspected that these were completed in accordance with agreed procedures as evidence of the stated procedure being followed.

No exceptions noted.

For a sample of standard updates and bespoke system development applied on the administration system, we inspected that these were performed in accordance with agreed procedures as evidence of the stated procedure being followed.

No exceptions noted.

9.2 Data migration or modification is authorised, tested and, once performed, reconciled back to the source data

Control Procedure

A project plan is agreed between relevant departments or providers. This sets out the objective, method, testing, responsibilities, and

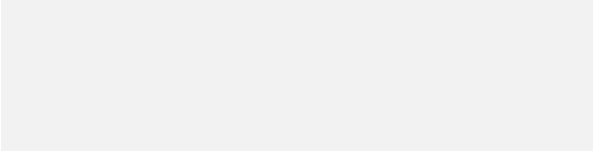
Tests Performed

There were no modification and/ or migration exercises during the year.

No exceptions noted.



conclusions. User acceptance testing is carried out.



9.3 Changes to existing in-scope systems, including hardware upgrades, software patches and direct configuration changes, are authorised, tested and approved in line with policy

Control Procedure

An IT Dashboard is reviewed by the Finance and Operations Committee. The Dashboard details all key projects including timescales and ownership.

Hardware upgrades and software patches are undertaken by a third-party IT provider following appropriate authorisation from Cheviot.

Tests Performed

We obtained and inspected a sample of IT Dashboards and confirmed their review by the Finance Committee, as evidence of the stated procedure being followed.

No exceptions noted.

Through inquiry and inspection, it was noted that hardware and software patches were undertaken by the third-party provider following authorisation from Cheviot.

No exceptions noted.



Recovery from processing interruptions

Summary

Business critical systems are held in the cloud with data replicated at a remote data centre. Member related data is stored on servers hosted by the provider, Procentia. These are routinely tested for recoverability and a log documents the results of the tests. All staff can work effectively from home which provides further resilience should a major incident or event occur which impacts the office.

A dedicated Service Desk team at a third-party IT provider is responsible for responding to user requests and issues. The team uses an electronic Service Desk system to log incidents reported and assign a priority to enable resources to be directed more effectively.

The following business continuity provision is in place in respect of the Cheviot infrastructure:

- (i) A Business Continuity Plan
- (ii) An analysis of the impact on assets of the failure of an investment manager.
- (iii) Annual testing to ensure disaster recovery plan remains current and effective.
- (iv) Alternative offsite recovery facilities for recovery of IT systems.
- (v) Employees are kept aware of changes in operations via an online Handbook.

In the event of a major incident, business critical computer processing will be transferred to the designated disaster recovery centre. Business Continuity is discussed at least annually at Risk and Compliance Committee meetings.

Business continuity responsibility for the pensions administration system lies with the provider, Procentia.

10.1 IT related Disaster Recovery Plans are documented, updated, approved and tested

Control Procedure

A Disaster Recovery Plan is in place and is tested at least annually.

Tests Performed

We obtained and inspected the Disaster Recovery Plan and test results as evidence of the stated procedure being followed.

No exceptions noted.

10.2 In-scope systems and data are backed up and tested such that they can be restored completely and within agreed timescales

Control Procedure

The Disaster Recovery Plan sets out the controls to ensure that in-scope systems and data are backed up and tested such that they can be restored completely and within agreed timescales.

Tests Performed

We obtained and inspected Disaster Recovery Plan, IT management policy and test reports confirming that regular backups and disaster recovery tests had been carried out.

No exceptions noted.



10.3 Problems and incidents relating to In-scope systems are identified and resolved within agreed timescales

Control Procedure	Tests Performed
The agreement with the third-party IT provider and administration system provider sets out service standards.	We obtained and inspected the agreements with the third-party IT provider and administration provider, and confirmed it set out service standards. In addition, we reviewed there is monitoring of performance of incidents raised. No exceptions noted.



Managing and monitoring compliance and outsourcing

Summary

Most IT services are provided by third-party IT provider and in accordance with a signed Service Level Agreement.

11.1 Outsourced activities provided by subservice organisations are governed by contracts and service level agreements that are authorised and subject to regular review

Control Procedure

An agreement is in place with the third-party IT provider which sets out service standards.

Tests Performed

Through inquiry and inspection, we confirmed that third-party contracts and agreements set out service standards. For the third-party IT provider, annual disaster recovery testing is required at least annually.

No exceptions noted.

11.2 The services provided by service organisations are regularly monitored and assessed against the standards set out in the service level agreements

Control Procedure

An agreement is in place with the third-party IT provider which sets out service standards which are regularly monitored and assessed against the standards set out in the service level agreements.

Tests Performed

Through inquiry and inspection, we confirmed that third-party contracts and agreements set service standards and that service performance is monitored regularly. For the third-party IT provider, annual disaster recovery testing is required.

No exceptions noted.

9 November 2023

Cheviot Trustees Limited
Kingswood House
58-64 Baxter House
Southend-on-Sea
Essex
SS2 6BG

Our ref: AP/LOC02982/AC

Dear Sirs

This letter sets out the basis on which we shall be pleased to act for you and includes your and our respective responsibilities.

Under 'Other Matters' below, we set out our maximum legal liability. This letter is subject to the annexed Terms of Business and these include other important details, including provisions that further limit the amount of our liability in certain circumstances. Please read this letter and the Terms of Business carefully, and raise with me any questions that you might have.

1. Scope of our work

1.1 You have asked us to act as service auditor to deliver services to you in connection with the internal control procedures of The Cheviot Trust (the "Trust") for the year ending 31 December 2023.

2. Responsibilities of the Trustee

2.1 The Trustee of the Trust (Cheviot Trustees Limited - "the Trustee") in relation to which the service auditors' assurance report is to be provided is and shall be responsible for the design, implementation and operation of internal control procedures at the Trust. The Trustee's responsibilities are and shall include:

- a) acceptance of responsibility for internal controls;
- b) evaluation of the effectiveness of the Trust's control procedures using suitable criteria; and
- c) supporting its evaluation with sufficient evidence, including documentation.

2.2 The Trustee acknowledges and accepts its responsibility for providing a written statement about whether in all material respects, and based on suitable criteria:

- a) The Trustee's description of the Trust's procedures fairly represents the control procedures that relate to the control objectives which were in place throughout the specified year;
- b) The control procedures stated in the Trustee's description, relating to those control objectives, were suitably designed throughout the specified year such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and

- c) The controls procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the specified year.
- 2.3 This written assertion will be included in, or attached to, the Trustee's description of the control procedures and provided to user entities as part of the final report issued by the Trustee.
- 2.4 In drafting this report the Trustee has regard to, as a minimum, the criteria specified within Technical Release 05/20 AAF assurance reporting on Master Trusts and the Technical Release AAF 01/20 assurance reporting on internal controls issued by the Institute of Chartered Accountants in England and Wales (ICAEW), but they may add to these to the extent that this is considered appropriate.
- 3. Responsibilities of service auditors**
- 3.1 It is our responsibility to form an independent opinion, based on the work carried out in relation to the control procedures established by the Trustee as described in the Trustee's Report and report this to the Trustee.
- 4. Scope of the service auditors' work**
- 4.1 We conduct our work in accordance with the procedures set out in AAF 05/20 and AAF 01/20 (as amended from time to time or as set out in any replacement framework documents and technical releases). Our work will include enquiries of key individuals at the Trust.
- 4.2 In reaching our conclusion, the criteria against which the control procedures are to be evaluated are the internal control objectives developed for service organisations as set out within AAF 05/20 and AAF 01/20 (as amended from time to time or as set out in any replacement framework documents and technical releases).
- 4.3 Any work already performed in connection with this engagement before the date of this letter will also be governed by the terms and conditions of this letter.
- 4.4 We may seek written representations from the Trustee in relation to matters on which independent corroboration is not available. We shall seek confirmation from the Trustee that any significant matters of which we should be aware have been brought to our attention.
- 4.5 Our objective will be to conduct an examination that will include procedures to obtain reasonable assurance, in all material respects and based on suitable criteria, to enable us to express an opinion as to whether:
 - a) The Trustee's description of controls fairly presents the control procedures that relate to the control objectives specified by the Trustee which were in place throughout the specified year;
 - b) The controls procedures described in the Trustee's Report were suitably designed to provide reasonable, but not absolute assurance, that the specified control objectives would have been achieved if the described control procedures operated effectively throughout the specified year; and
 - c) The control procedures that were tested were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related control objectives were achieved throughout the specified year.
- 4.6 The control objectives for this examination are specified by the Trustee. In conducting the examination we will examine on a test basis, evidence supporting the Trustee's description of controls and perform other procedures as we consider necessary in the

9. Terms of Business

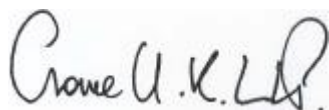
9.1 The Terms of Business accompanying this letter contain further information about the basis on which we will be pleased to carry out work for you. In the event of a conflict between the Terms of Business and what is set out in this letter, this letter will prevail.

10. Confirmation of your agreement

10.1 Please let me know if you have any questions in relation to this letter and the Terms of Business. If you are content with them, then would you please confirm your agreement by signing and returning one of the enclosed copies.

10.2 If I do not hear from you regarding this letter but it is clear that you wish us to proceed with the work, then this letter and the Terms of Business will govern the terms of our engagement.

Yours faithfully



Crowe U.K. LLP

AGREEMENT OF TERMS

I acknowledge receipt of this letter, which together with the Terms of Business fully records the agreement between us concerning your appointment to carry out the work described in it.

Name Elspeth McKinnon

Signed *Elspeth McKinnon*

Position Chief Executive Officer

For and on behalf of the Trustee

Date 20 December 2023

TERMS OF BUSINESS

1. Definitions

- 1.1 In these Terms of Business and any associated engagement letter:
- 1.1.1 "We" means Crowe U.K. LLP, and shall include any successor or assignee;
- 1.1.2 "You" means the person or company with whom the Contract is agreed and that is named as such in the engagement letter;
- 1.1.3 "Contract" means the terms of engagement agreed between Crowe U.K. LLP and you to which these terms of business relate and into which they are incorporated;
- 1.1.4 "Services" means the services we agree to provide you with under the Contract, as set out in the engagement letter.

2. Limitation of liability

- 2.1 We never seek to exclude or restrict our liability for our fraud or dishonesty, or otherwise to the extent that we cannot do so by law for any reason.
- 2.2 We accept that we owe you a duty of care to provide the Services with reasonable skill and care, regardless of whether the people we decide to use are members or employees (who may also be described as 'partners') of Crowe U.K. LLP or agents or sub-contractors retained by us. You in turn agree that you will not bring any claim based on any cause of action in respect of or in any way connected with the Contract against anyone other than Crowe U.K. LLP.
- 2.3 Where we are liable to you, and in addition any other person is also liable to you, or any such person or you have caused or contributed to the same loss or damage for which we are liable, either in whole or in part, then our liability shall be limited to such amount as is just and equitable having regard to the extent to which each of us and/or such other person is liable for and/or has otherwise caused or contributed to such loss or damage. For the purposes of this clause, the liability for and/or cause or contribution of any such other person shall be determined by disregarding any limitation, exclusion or restriction of legal liability or any inability to pay or insolvency, even if it means that you cannot recover any compensation from such other person.
- 2.4 Any action (including any proceedings in a court of law) in connection with this Contract or the Services must be brought within 6 years of the date of the act or omission that is alleged to have given rise to the action.

3. Crowe Global and its member firms

- 3.1 Crowe U.K. LLP is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global

is a separate and independent legal entity. There is no ownership, agency, partnership or control relationship amongst any of Crowe Global and its member firms. Crowe Global does not perform services and you agree that you will not bring a claim against it.

- 3.2 It is possible that we may retain another member firm of Crowe Global to act for us as a sub-contractor in providing the Services to you under this Contract. In that event, we accept that we owe you a duty of care to provide the Services for which we have retained that other member firm as a subcontractor, as set out in Clause 2.2, and you in turn agree that you will bring any claim against us and not against that other member firm, as set out in Clause 2.2.

- 3.3 If we have not retained another member firm as a sub-contractor, then you agree that any services that may be provided to you by another member firm are separate from the Services provided by us under this Contract. You will be responsible for entering into a separate contract of engagement with that other member firm, on such terms as you and that other member firm may agree. You agree that we shall not under any such circumstances be responsible or liable in any way whatsoever for any acts or omissions of Crowe Global or of any other member firms of Crowe Global.

4. Responsibility to third parties

- 4.1 We shall provide the Services for your exclusive use and for the purpose for which you engage us, and you agree that you will not disclose our advice or the product of our Services to anyone else without our specific written agreement.
- 4.2 We do not accept any responsibility to anyone other than you ("third party") for any aspect of our Services, whether because any work of ours is made available to the third party or for any other reason.
- 4.3 To the extent that the law imposes on us any responsibility to any third party even though we do not accept that, our liability to that third party shall be limited in accordance with the "Limitation of liability" section of the engagement letter. You therefore agree that you will share a single limit of liability as set out in those provisions in the event that we have a liability to you and to a third party.

5. Nature of our Services

- 5.1 You acknowledge that we will rely on information and documentation provided to us by you, your management, employees and third parties in the course of our work. We will not be responsible for the consequences of any deficiency in the information or documentation provided to us, whether as a result of it being false, misleading or incomplete. You agree to inform us if you are or become aware of anything inaccurate or misleading in respect of information or documentation provided to us.
- 5.2 Except as expressly agreed in the description of the Services in the engagement letter, our work will not

be an audit as conducted in accordance with applicable auditing standards. Unless expressly agreed, we will not seek to verify the accuracy of the information provided to us in the course of carrying out our Services, and we will not seek to or be responsible for detecting fraud by you or by your management, employees or third parties. We shall satisfy ourselves that the information provided is consistent with other information provided to us, but we will otherwise generally accept the explanation and assurances we receive from the directors, officers and employees of the entity that is the subject of the Services under this Contract or other third parties in the course of our work.

- 5.3 It may be necessary or desirable to instruct other professional advisers or third party suppliers in connection with the Services, upon whom we may place reliance and/or in conjunction with whom we may carry out our work. You shall be responsible for the appointment of such other professional advisers or suppliers and for their fees and expenses. We shall have no liability for the non-delivery, non-performance or any acts, errors or omissions of such other advisers or suppliers (other than our express agents), regardless of any role that we may perform in relation to communications with such advisers or suppliers.

6. Fees

- 6.1 You agree to pay our fees within 30 days from the date of the invoice.
- 6.2 Payment of our fees from a bank based outside the UK must be made via transfer to our bankers and must quote our invoice details.
- 6.3 We will claim for relief for any fees falling within the scope of the VAT Regulations 1995 (SI 1995/2518).

7. Non-payment of fees

- 7.1 If you fail to pay our fees within 30 days from the date of the invoice we reserve the right:
- 7.1.1 to charge monthly interest on the unpaid amount at 5% over the Barclays Bank plc Base Rate in accordance with the Late Payment Legislation;
- 7.1.2 to suspend the Services and any other work which we are carrying out for you;
- 7.1.3 to take whatever legal remedy exists in order to obtain payment; and
- 7.1.4 to claim the cost of debt recovery.

8. Communicating with you

- 8.1 Please let us know if you have a preferred method of communication e.g. telephone or email or letter. Unless we hear from you, we will use whatever mode of communication appears appropriate in the circumstances.

- 8.2 All email messages sent to us will, if properly addressed, arrive on the terminal of the person to whom they are addressed. Please be aware of the following points:

- 8.2.1 the firm is connected to the internet, but the exchange of email messages may be subject to delays outside of our control;
- 8.2.2 the safe delivery of email via the internet should not be assumed;
- 8.2.3 the confidentiality of email cannot be guaranteed.

- 8.3 Please ask about our secure portal solutions. Unless you ask us, we shall not encrypt or promise to password-protect any email or attachment sent by us to you.

- 8.4 You and we shall not be responsible for each other's loss or damage arising from any corruption or alteration, or any unauthorised interception, redirection, copying or reading, of emails including any attachments.

- 8.5 You and we shall not be responsible for the effect on each other's hardware or software (or any loss or damage arising from any such effect) of any emails or attachment which may be transmitted by the other.

- 8.6 The recipient is responsible for carrying out a virus check on attachments.

9. Improving our service

- 9.1 If at any time you would like to discuss with us how we could improve our service to you or you are dissatisfied with the service you are receiving, please let us know by contacting the engagement partner or Peter Varley, the Managing Partner of this office. Alternatively, the Chief Executive of the firm Nigel Bostock, Crowe U.K. LLP, 55 Ludgate Hill, London, EC4M 7JW.

- 9.2 Should our service be less than satisfactory we will take all reasonable steps to correct the situation. We undertake to investigate any complaints carefully and promptly and to report our findings to you.

- 9.3 If you are still dissatisfied you may take the matter up directly with the Institute of Chartered Accountants in England and Wales at:

Professional Conduct Department
ICAEW
Level 1, Metropolitan House
321 Avebury Boulevard
Milton Keynes MK9 2FZ

10. Professional rules and practice guidelines

- 10.1 We will observe the bye-laws, regulations and ethical guidelines of the Institute of Chartered Accountants in England and Wales and accept instructions to act for you on the basis that we will act in accordance with them. The requirements are

- available on the internet at www.icaew.com/membershandbook.
- 10.2 We are eligible to conduct audits under the Companies Act 2006 and details about our audit registration can be viewed at www.auditregister.org.uk, under reference number C001095468.
- 10.3 Details of our professional indemnity insurer can be found on our internet web site (<https://www.crowe.com/uk/about-us/disclosure>) on the legal information page, in accordance with the disclosure requirements of the Services Regulations 2009.
- 10.4 Our Services for you shall not be exclusive, and you agree that this Contract shall not prevent or restrict us from carrying on our business. We reserve the right during our engagement with you to act for other clients who may be competitors of yours or in respect of whom issues of commercial conflict may arise, subject to the Confidentiality section below.
- 10.5 Where a specific legal or ethical conflict of interest, actual or potential, is identified, and we believe that implementing appropriate procedures can properly safeguard your interests, we will promptly notify you and discuss the position with you. Please note that there may be circumstances where we are unable to fully explain all of the aspects of the conflict because of obligations that we owe to other clients or third parties. It may also not be possible to put effective safeguards in place, or you may not be content with the situation, in which case it may be necessary for us to terminate the Contract. You also agree to inform us immediately if you should become aware of, or believe that there may be, a conflict affecting our provision of the Services.
- 10.6 Our files are periodically reviewed by an independent regulator or quality controller as part of our on-going commitment to providing a quality service. The reviewers are bound by the same rules of confidentiality as our partners and staff.
- 11. Confidentiality**
- 11.1 We confirm that where you give us confidential information we shall at all times keep it confidential, except as required by law or as provided for in regulatory, ethical or other professional statements relevant to our engagement or for the purpose of notifying insurers concerning any actual or potential dispute relating to the Services.
- 11.2 You agree that we will be complying sufficiently with our duty of confidence if we take steps that we in good faith think fit to keep appropriate information confidential during and after our engagement.
- 11.3 You agree to reimburse any reasonable costs that we may incur in complying with any requirement for disclosure of your information that is imposed on us in any proceedings or regulatory process that does not involve any substantive claim or proceeding against us, provided that we promptly notify you in writing of any such requirement (to the extent we are legally permitted to do so) and that we reasonably cooperate with you in any efforts to protect against such disclosure.
- 11.4 You agree to keep confidential any methodologies and technology used by us to carry out the Services.
- 12. Data Protection**
- 12.1 When acting for you, we are a data controller in respect of any personal data you provide to us or to which we have access. This is because accountants and similar providers of professional services work under a range of professional obligations which oblige them to take responsibility for the personal data they process. For example if we detect malpractice whilst performing our services we may, depending on its nature, be required under our regulatory obligations to report the malpractice to the police or other authorities. In doing so we would not be acting on your instructions but in accordance with our own professional obligations and therefore as a data controller in our own right.
- 12.2 Where we and you are deemed in accordance with the data protection laws to be joint data controllers, you shall be liable for the personal data you process and we shall only be liable for the personal data we process.
- 12.3 You confirm that you have the right to supply personal data to us and this will not breach applicable data protection laws. Where you are providing personal data to us about a third party, for example a family member, a partner, a director (including a non-executive director), and/or any other type of member, business associate or third party, you confirm that you have their authority and express permission to provide us with their personal data.
- 12.4 Neither of us will by our act or omission put the other in breach of the applicable data protection laws.
- 12.5 Where we and you are joint data controllers, you should provide all relevant information to data subjects relating to the processing of their personal data (including the processing carried out by us) and to the exercise of their rights in relation to the processing of their personal data as required by the data protection laws ("Fair Processing Notice") and you will be the contact point for the data subject.
- 12.6 To enable us to discharge the services agreed under our engagement, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance, we may obtain, use, process and disclose personal data about you or your entity, its officers and employees, as applicable, including to other member firms of Crowe Global or to third parties in the same or different jurisdictions, as set out in our website privacy notice. We confirm when processing data on your behalf we will comply with the relevant provisions of the applicable data protection laws.

- 12.7 In some circumstances, you may instruct us to provide certain services in relation to which we process personal data on your behalf. Where we act as a data processor in relation to your personal data, we will:
- 12.7.1.1 process personal data:
 - 12.7.1.2 for the purpose of performing our services and obligations to you; and
 - 12.7.1.3 for such other purposes as may be instructed by or agreed with you or as otherwise notified in writing from time to time; and
 - 12.7.1.4 in accordance with the applicable data protection laws;
- 12.7.2 implement appropriate technical and organisational measures to protect the personal data against unauthorised or unlawful processing and against accidental loss, destruction, damage, alteration or disclosure;
- 12.7.3 not otherwise modify, amend, remove or alter the contents of the personal data or subject to clause 12.1 above disclose or permit the disclosure of any of the personal data to any third party without your prior written authorisation;
- 12.7.4 adopt measures to maintain up to date records of our processing activities performed on your behalf which shall include the categories of processing activities performed, information on cross border data transfers and a general description of security measures implemented in respect of processed data;
- 12.7.5 unless otherwise required by data protection laws, or our own retention policy, we will return or delete all personal data upon the termination of our relationship with you;
- 12.7.6 adopt measures to ensure that only those personnel who need to have access to your personal data are granted access to it and that all of the personnel required to access your personal data are reliable and have been informed of its confidential nature;
- 12.7.7 not appoint a sub-processor without your prior written consent, not to be unreasonably withheld, and ensure an agreement is entered into with the relevant sub-contractor which includes terms which are substantially the same as the terms set out in this clause 12;
- 12.7.8 be entitled to transfer your personal data to a country or territory outside of the United Kingdom or European Economic Area, including to any subcontractor, provided that such transfer is permissible under applicable data protection laws. You authorise us to enter into standard form contracts on your behalf where necessary to provide appropriate safeguards for such transfers, provided that we notify you in advance;
- 12.7.9 notify you without undue delay if we receive: (i) a request from a data subject to access your personal data; or (ii) a complaint or request relating to the data protection laws;
- 12.7.10 assist you should you need to carry out a privacy impact assessment;
- 12.7.11 notify you in the event we become aware without undue delay of any breach of the data protection laws; and
- 12.7.12 permit without charge, on an annual basis, and / or where you become aware of a data breach or alleged breach of the data protection laws by us, reasonable access to the relevant records, files, tapes, computer systems, for the purposes of reviewing compliance with the data protection laws.
- 12.8 When acting for you in a personal capacity how we process your personal data is described in our privacy notice. This is available on our internet page. We will tell you if, in our opinion, your instructions may breach the applicable data protection laws.
- 12.9 Each of you and us shall indemnify and keep indemnified the other in full from and against all claims, proceedings, actions, damages, costs, fines, expenses and any other liabilities which may arise out of, or in consequence of, the indemnifying party's breach of the data protection laws or the performance or non-performance by its sub-processor(s) and personnel of its obligations in connection with this Contract in relation to the data protection laws, including loss of or damage to property, financial loss arising from any breach of the data protection laws or any other loss which is caused directly or indirectly by any act or omission arising from any breach of the data protection laws. Any amount payable by us under this clause shall form part of, and not be in addition to, the aggregate limit of liability.
- 13. Ownership and retention of documents**
- 13.1 All correspondence and papers in our possession or control and generated for our internal purposes (including our working papers) or addressed to us relating to the Services or the subject matter of the Services shall be our sole property.
- 13.2 We retain copyright and other intellectual property rights in everything produced by us before or during the Services.
- 13.3 We will keep correspondence and other papers and electronic data relating to the Contract, for such period as we may consider reasonable or that is required by law, and for at least eight years. After that time, we may destroy them without further reference to you.
- 14. Termination**
- 14.1 In relation to Services as Auditor under any statutory provisions, you or we may terminate the Contract only in accordance with the provisions of

the relevant Act or regulation. In relation to any other Services, you or we may terminate the Contract at any time by giving not less than 30 days' notice in writing. We shall be entitled to payment for any work performed in relation to the Services by us prior to such termination.

15. Miscellaneous

- 15.1 Neither of us may transfer nor assign this Contract, or any rights or obligations under it, without the prior written consent of the other party.
- 15.2 Neither of us will be liable to the other for any delay or failure to fulfil obligations caused by circumstances outside our reasonable control.
- 15.3 This Contract replaces and supersedes any previous proposal, discussion, correspondence, representation or agreement between us in relation to the Services, and forms the whole agreement between us in relation to such Services.
- 15.4 Any variation to the Contract shall only be effective if it is agreed in writing between you and a member in Crowe U.K. LLP, and only if agreed by reference expressly to the specific term to be amended.
- 15.5 Upon the termination of this Contract, we shall be under no further obligation to perform any part of the Services. However, the provisions of many clauses of these Terms of Business will, by their nature, continue to apply notwithstanding termination.
- 15.6 Unless we both agree otherwise, these Terms of Business (as amended from time to time) will apply to any future instructions that you may give us.
- 15.7 If at any time any provision of these Terms of Business or any engagement letter is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, then that shall apply to the minimum extent required and shall not affect or impair the legality, validity or enforceability in that jurisdiction of any other provision of these Terms of Business or any engagement letter.

16. Applicable law and enforcement

- 16.1 Our Contract with you is governed by, and interpreted in accordance with the laws of England and Wales.
- 16.2 A person who is not a party to the Contract has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the terms of the Contract. This clause does not prejudice you in relation to any right or remedy that exists independently of the Act.
- 16.3 However, clause 16.2 does not apply to members, employees, agents, sub-contractors and others who have the benefit of the exclusion of liability in their favour under clauses 2.2 and 3. Accordingly, such persons may enforce that exclusion in their

favour under the Contracts (Rights of Third Parties) Act 1999.

- 16.4 The Courts of England and Wales shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this Contract and any matter arising from them. Each party irrevocably waives any right it may have to object to any action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.



Appendix 2

Statement of Internal Controls

The following two sections contain the statement of internal controls for Cheviot for the year ended 31 December 2022. The objectives, process and internal controls are identified for each area. These have been determined in conjunction with the guidance in ICAEW technical release AAF 05/20 and AAF 01/20.

All tests of the operating effectiveness of internal controls were undertaken for the year ended 31 December 2022



Control Objectives

Assurance reporting on Master Trusts AAF 05/20

Assessment of Value for Money

1. A documented value for members assessment is undertaken at least annually and is formally approved by the Trustee.

Management of costs and charges

2. The Trustee Board ensures disclosure of information to members of transaction costs and charges is complete and accurate and has been disclosed in accordance with regulatory guidelines.

Investment Governance

3. A documented review of the suitability of the default arrangement(s) and range and risk profile of other investment options is undertaken and approved by the Trustee Board.
4. The Trustee Board undertakes a documented review of the Statement of Investment Principles. This review includes consideration of investment objectives and policies for the default arrangement(s) and all other investment options.
5. The Trustee Board ensures that the Statement of Investment Principles is made publicly available.
6. The performance of all investment options (including the default arrangement(s)) is reviewed and monitored against the investment objectives set out in the Statement of Investment Principles. This review is documented and approved by the Trustee Board.

The Trustee

7. New trustees are recruited and appointed in accordance with a documented procedure approved by the Trustee Board.
8. The fitness and propriety of trustees is assessed prior to appointment and reviewed annually thereafter in accordance with a documented policy. This review is

documented and approved by the Trustee Board.

9. Collective skills and competencies of the Trustee Board as a whole are reviewed on an annual basis. This review is documented and approved by the Trustee Board.
10. Trustee levels of knowledge and understanding are managed and maintained in accordance with an annual training and development plan approved by the Trustee Board.

Financial sustainability and compliance

11. A documented review of financial sustainability (including access to resources to cover running costs and financial reserves in the event of a triggering event) is undertaken by the Trustee Board within required timescales.
12. A documented review of the Business Plan is undertaken by the Trustee Board within required timescales
13. A documented Continuity Strategy is maintained and reviewed by the Trustee Board.
14. A documented procedure is maintained and approved by the Trustee Board for reporting Significant Events and Triggering Events to the Regulator within required timescales.

Scheme Management skills

15. An annual business schedule/plan is maintained and reviewed by the Trustee Board.
16. Conflicts of interest are subject to ongoing monitoring and are identified, recorded in a conflicts register and managed in accordance with a defined policy which is regularly reviewed by the Trustee Board
17. Documented due diligence is undertaken by the Trustee Board prior to the appointment of all service providers, including fitness and propriety. Selection criteria is maintained by the Trustee Board to support service provider selection and decision making.
18. Roles and responsibilities of all advisers and service providers are documented and the performance and quality of their service is subject to documented reviews by the Trustee



Board against documented performance criteria.

19. The Trustee Board maintains a risk management framework to identify, evaluate, manage and monitor scheme risks.

Trustee Board oversight of IT systems and administration processes

20. The Trustee Board monitors and reviews IT systems.
21. The capacity to take on new business is assessed, approved and regularly monitored by the Trustee Board.
22. Signed administration agreements are in place with service providers and include provisions for the rectification of maladministration. The agreements are approved by the Trustee Board.
23. The Trustee Board has arrangements in place for ensuring that core financial transactions (including decumulation related transactions) are processed promptly
24. The Trustee Board has arrangements in place for ensuring that core financial transactions (including decumulation related transactions) are processed accurately and that payments are authorised and suitably controlled.
25. The Trustee Board ensures that member retirement options selected are processed and managed in accordance with documented procedures.
26. The Trustee Board ensures that transaction errors are identified and rectified in accordance with a documented procedure
27. The Trustee Board ensures that late and inaccurate contributions are pursued and resolved in accordance with documented procedures. Late contributions are reported to the trustees
28. The Trustee Board ensures that contributions are invested and allocated in accordance with member instructions or the requirements of the default arrangement.

Data quality

29. The Trustee Board ensures member data is complete and accurate and is subject to regular data evaluation.

Communication and Reporting

30. The Trustee Board maintains a documented member communications plan which is regularly reviewed.
31. Arrangements are in place for ensuring that the quality and accuracy of member communications are assessed by the Trustee Board
32. The Trustee Board has established a process for reporting member feedback (including issues raised by members) and complaints to the trustees, including resolution procedures. Member feedback and issues are logged and reviewed by the Trustee Board.



Control objectives

Assurance report on Master Trusts AAF 01/20

Pensions Administration

1. Accepting Clients

- 1.1 New client agreements and amendments are authorised prior to initiating pension administration activity.
- 1.2 Pension scheme member details and accounts are completely and accurately set up onto relevant systems in accordance with the scheme rules and individual elections
- 1.3 Opening balances for client take-ons are completely and accurately recorded and communicated to clients in line with client instructions.

2. Authorisation and processing transactions

- 2.1 Contributions and transfers-in received, and where applicable allocation of members' funds to investment options are processed completely, accurately and within agreed timescales.
- 2.2 Switches of members' funds between investment options and other rebalancing transactions are processed completely, accurately and within agreed timescales.
- 2.3 Benefits payable and transfer values are calculated in accordance with scheme rules and relevant legislation and are paid within agreed timescales.

3. Maintaining financial and other records

- 3.1 Member records consist of up-to-date and accurate information.
- 3.2 Requests to change member records are validated for authenticity.
- 3.3 Contributions and benefit payments are completely and accurately recorded in the proper period.
- 3.4 Investment transactions, balances and related income are completely and accurately recorded in the proper period.

4. Safeguarding assets

- 4.1 Member records are securely held and access is restricted to authorised individuals.
- 4.2 Cash in scheme bank accounts is safeguarded and payments are suitably authorised.

5. Managing and monitoring compliance and outsourcing

- 5.1 Receipts of contributions are monitored against required timescales.
- 5.2 Pensions administration activities are governed by service level agreements that are authorised and subject to regular review. Service performance is regularly monitored and assessed against the standards set out in service level agreements.
- 5.3 Transaction errors are identified, reported to clients and resolved in accordance with established policies.

6. Reporting to clients

- 6.1 Periodic reports to participants and scheme trustees are complete, accurate, and provided within required timescales.

Information Technology

7. Restricting access to systems and data

- 7.1 Physical access to In-scope systems is restricted to authorised individuals.
- 7.2 Logical access to In-scope systems and data is restricted to authorised individuals in accordance with job roles and/or business requirements.
- 7.3 Client and third-party access to In-scope systems and data is restricted and/or monitored.
- 7.4 Segregation of incompatible duties within and across business and technology functions is formally defined, implemented, updated and enforced by logical security controls

8. Maintaining integrity of the systems

- 8.1 Scheduling and internal processing of data is complete, accurate and within agreed timescales.⁶
- 8.2 Transmission of data to/from external parties is complete, accurate, executed within agreed timescales and secure⁷ in line with external party agreements.

Assurance report on internal controls AAF 01/20

- 8.3 Network perimeter security devices⁸ are installed and changes are tested and approved.
- 8.4 Anti-virus definitions are periodically updated across all terminals and servers, deployment and settings are periodically reviewed and updated when required; and patterns of attempted external breaches are monitored.
- 8.5 Data received from external parties is scanned for known vulnerabilities, any compromised data is quarantined and definitions of threats are periodically updated.

9. Maintaining and developing systems hardware and software

- 9.1 Development and implementation of both in house and third-party In-scope systems are authorised, tested and approved.
- 9.2 Data migration or modification is authorised, tested and, once performed, reconciled back to the source data.
- 9.3 Changes to existing In-scope systems, including hardware upgrades, software patches and direct configuration changes, are authorised, tested and approved in line with policy.

10. Recovering from processing interruptions

- 10.1 IT related Disaster Recovery Plans are documented, updated, approved and tested.
- 10.2 In-scope systems and data are backed up and tested such that they can be restored completely and within agreed timescales
- 10.3 Problems and incidents relating to In-scope systems are identified and resolved within agreed timescales

11. Managing and monitoring compliance and outsourcing

- 11.1 Outsourced activities provided by Subservice Organisations are governed by contracts and service level agreements that are authorised and subject to regular review.
- 11.2 The services provided by Subservice Organisations are regularly monitored and assessed against the standards set out in the service level agreements.