

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
13th February 2024

KEY FINANCIAL CONTROLS REPORT

Purpose of the Report

1. The purpose of this report is to highlight the significant issues in relation to the Fund's key financial controls.

Background

2. The purpose of this report is so that the Committee and Local Pension Board can easily review key areas of financial controls and monitor progress against planned improvements.

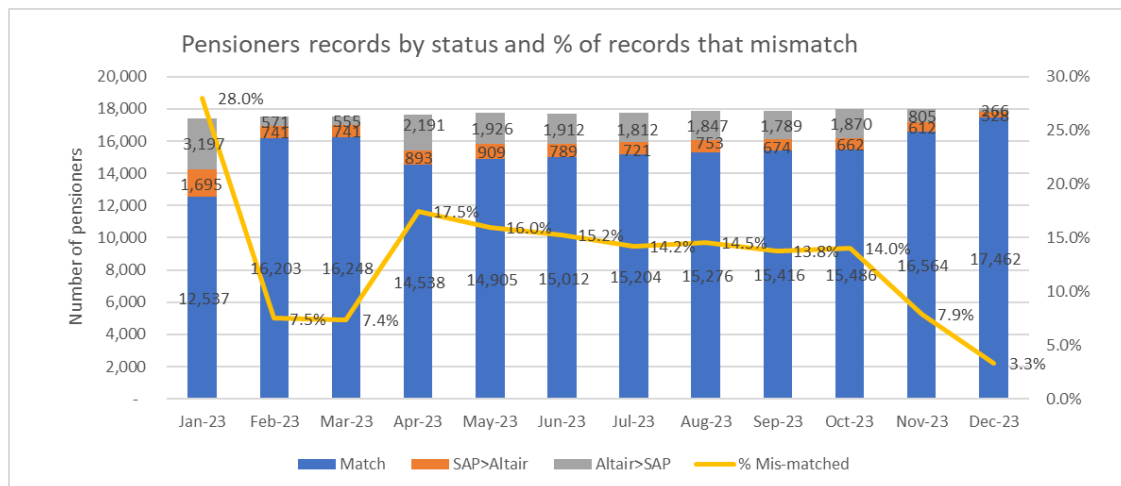
Key Considerations for the Committee / Risk Assessment / Financial Implications

Accounts and Annual Report

3. Final sign off for the full Wiltshire Council Accounts for 2019/20, 2020/21 and 2021/22 continues to be delayed, the Pension fund accounts form a part of the full Council accounts and the delay, which is due to an issue within the Wiltshire Council figures, has meant the pension fund accounts have not received their final audit opinion for inclusion in the annual report. Officers have responded to all requests by the external auditors for information for all years of accounts. To ensure we comply with The Pensions Regulator (TPR) requirement to publish the report, they are available on the website for all years with a note in the audit report section explaining the unaudited status.
4. Work is completed on the accounts and annual report for 2022/23, the external auditors commenced their work in October, however work has recently paused, we are chasing the auditors up for a progress update. Work has commenced on planning for the 2024/25 annual accounts.

Payroll reconciliations

5. Work to reconcile and correct discrepancies between the Altair pension admin system and SAP payroll records continues. The reconciliation compares the annual pension payable on each system and quantifies the number of cases and value of discrepancies. The following graph shows the extent of the variances between the two systems. The reconciliation classifies anything >£1 per annum as a variance. There can be multiple reasons for the discrepancies which can range from a fundamental incorrect payment to data mismatch problems. Therefore the gross value of SAP>Altair or SAP<Altair figure represents the extent of the mismatch.



- The reconciliation data shows a significant improvement in December 23, this is as a result of work to bulk correct cases <£5pm different. The Fund is close to resolving all discrepancies between the payroll and Altair system.

Finance System

- The new Evolve system went live in November 2023, the finance team were actively involved in training and testing for the system. Unfortunately despite this the team are encountering significant problems with the accounting system post going live, something which has not been isolated to the pension fund team. There have been problems posting journals, the accurate accounting for payments and running the reports needed on the new system, this has been compounded by the duplicate payments issues which have added further work.
- The accounting team are working hard to re-establish their accounting processes and to get things up and running with support from the evolve team. All daily banking is being kept up to date and reconciliation controls are as up to date as they can be prior to the system go live. However it has impacted the teams ability to provide up to date financial reports which has resulted in an increase to the risk register rating from medium to high for the accounting function. Temporary resource is being sought to clear the backlog of work and reestablish working practices.

Quarterly Financial Performance Dashboard

Wiltshire Pension Fund - Key Financial Controls Dashboard				
Control Area	RAG	Items reviewed under this control area	Comments on Performance	Ongoing Actions
	Dec-23			
1. Employer Contributions		Timely and accurate payment of employer contributions each month.	See summary performance table for full details. Almost all employers paying on time and with the correct rate. New reconciliation process established between I connect and banking	To chase Swindon Council for accurate remittance information.
2. Cashflow, banking and capital calls		Maximum and minimum cash balances, private markets capital calls and distributions and treasury performance.	See summary performance table for full details.	Issue with a single approval required by the banking provider for large payments has increased the risk to making timely payments. Treasury limit for operational cash temporarily exceeded due to higher employer contributions, review of treasury policy required.
3. Balance Sheet Reconciliations		All balance sheet control codes are reviewed for accuracy and outstanding issues.	All control codes have been reviewed and checked, no unexplained balances prior to Evolve implementation. Evolve implementation has made review of all balance sheet reconciliations.	Get the processes up and running again following the evolve implementation
4. Altair Checks		Check between the ledger and pension admin system (altair) that any transactions, such as payments or receipts match the admin system.	All reconciliations have been undertaken discrepancies have reduced following active engagement with the Admin team to review old cases. Evolve implementation has delayed this work, latest reconciliations are being caught up to October 23.	To catch up on outstanding months following the evolve implementation.
5. Financial Budget Reporting		Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account.	Latest forecast in line with budget however now out of date. Issues with new system have prevented effective review of the latest spend.	Get the processes up and running again following the evolve implementation. Budget setting work ongoing for 24/25.
No material concerns				
Minor issues				
Major issues				

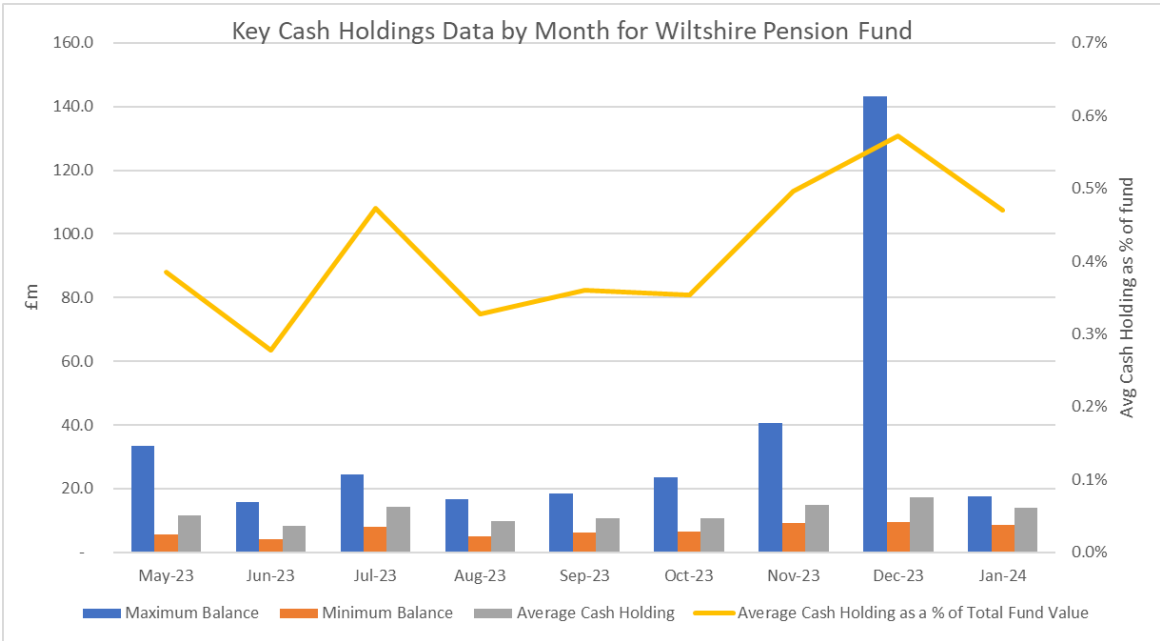
9. The following table provides further details for performance dashboard item 1. Employer contributions.

Quarter	Payroll Month	Paid contributions £000's				Average late and overdue contributions total days		Number of employers payments status		
		Total Payment	On Time Payment	Late Payment	Late Payment %	Days Late Recd	Days Overdue	On time	Late	Not Received
Q1	Apr-23	35,505	34,625	881	2.5%	22.0	-	168	8	-
Q1	May-23	8,289	6,267	2,022	32.3%	14.6	-	165	11	-
Q1	Jun-23	8,297	8,286	9	0.1%	69.0	-	175	1	-
Q2	Jul-23	8,289	6,011	2,278	37.9%	9.5	-	163	11	-
Q2	Aug-23	8,233	8,218	15	0.2%	3.3	-	168	6	-
Q2	Sep-23	8,072	7,204	868	12.0%	4.1	-	168	8	-
Q3	Oct-23	8,258	7,150	1,108	15.5%	3.9	-	165	10	-
Q3	Nov-23	10,372	10,370	3	0.0%	4.3	48.0	170	3	3
Q3	Dec-23	9,967	9,964	3	0.0%	7.3	17.0	170	3	3
Total	Q1	52,091	49,178	2,912	5.9%	35.2	-	508	20	-
Total	Q2	24,594	21,434	3,161	14.7%	5.6	-	499	25	-
Total	Q3	28,597	27,484	1,114	4.1%	5.2	21.7	505	16	6

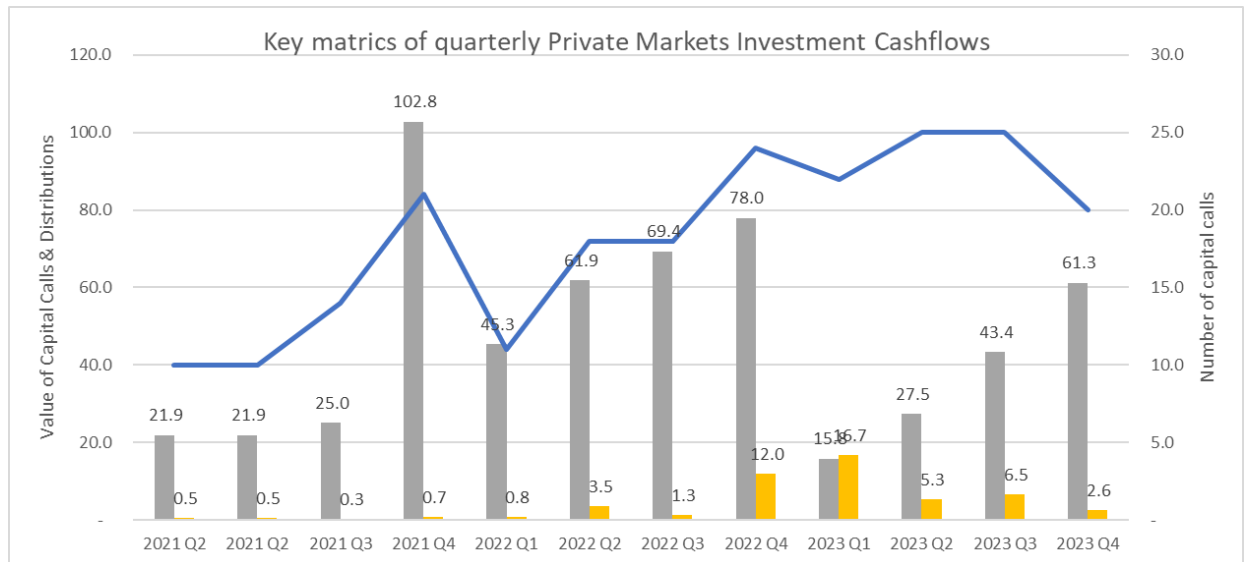
10. The majority of the late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to remind them to pay. Persistently late payments or employers where we have problems are escalated to the employer engagement and training officer for resolution.

11. The 6 payments not received are all from contracts held by Imperial Cleaning. The company has gone into Administration and the employer relationship manager is working with this employer on the outstanding payments.

12. The following graph provides further details for performance dashboard item 2. Cashflow, banking and capital calls.



13. Overall average cash holdings have remained low, a peak in the minimum balance was seen in November following divestment of the investment with Magellan. The investment funds were immediately transferred into the SALAMI portfolio to earn investment returns, awaiting investment in the new Climate Opportunities Portfolios.
14. Cashflow activity for private markets capital calls have continued to be met as commitments are called. Large calls are anticipated for early 2024 to fund new commitments to the Climate Opportunities fund, these will be funded from funds recently divested from Magellan.



Planned improvements and key items to monitor

15. The team has been making improvements to accounting processes in several areas. A summary of planned improvements, current issues and progress to date, is shown below:

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
Evolve			The implementation has caused significant issues for payments and the ongoing operations for the pension fund accounting team. Work is ongoing to ensure these are resolved.
Wiltshire Council – Wiltshire Pension Fund SLA charge			LPB Action Point – SLA Recharge The Council have provided a new fee for 23/24 based on a reasonable methodology for all key items, these costs have been included in the agreed budget for the year. Officers are drafting an SLA document to support all the charges.
	Significant concern		
	Not started		
	Work has commenced		
	Significant progress made		
	Completed/situation under control		

Environmental Impacts of the Proposals

16. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Proposals

18. The Board is asked to use this report to monitor progress against resolving the issues which have been identified.

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Unpublished documents relied upon in the production of this report: NONE