

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
13 February 2020

AUDIT UPDATE

Purpose of the Report

1. The purpose of this report is to provide an update on the internal and external audit positions and to outline the draft recommendations made from last year's external audit and the Fund's response to these.

Background

2. The internal audit plan for the forthcoming year was agreed at the last Local Pension Board and Committee meetings and has been submitted to CLT so they can form part of the South West Audit Partnership's workplan. Officers have not heard anything further concerning proposed timings.
3. Wiltshire Pension Fund is required to have a separate annual external audit. Wiltshire Pension Fund uses Wiltshire Council's external auditor, Deloitte.
4. Deloitte completed last year's audit in the summer of last year but a final audit paper has not been completed due to some outstanding matters in Wiltshire Council's audit (unrelated to the pension fund). Since then, Deloitte have completed an interim audit ahead of the 2020/2021 year although they have not issued a report, as is normal practice. In May to June 2020, Deloitte will carry out the main audit.
5. As last year's external audit report has not been completed, officers have been unable to publish the report but have instead shown the draft recommendations in Appendix 1 and officers' responses to each.

Considerations for the Board

6. The draft external audit report made two sets of recommendations in relation to internal controls and risk managements and two sets of recommendations in relation to IT. The observations, Deloitte's recommendations and Pension Fund's response can be found in Appendix 1.

Environmental Impact of the Proposal

7. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

8. There are no known implications at this time.

Financial Considerations & Risk Assessment

9. There are no financial considerations resulting from this proposal although the paper reviews risk as part of the audit.

Proposals

10. The Board is asked to note this update.

ANDY CUNNINGHAM & JENNIFER DEVINE

Head of Pensions Administration and Relations & Head of Pensions Investments

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Unpublished documents relied upon in the production of this report: **NONE**

Observation	Deloitte recommendation	Fund response
<p>Pension Fund - We identified that the Pension Manager could not supply a membership number reconciliation between 2017-18 and 2018-19. The reconciliation should show movements of members in the financial year and retrospective changes that revised any prior-year figures. This reconciliation this would enhance the robustness of admin procedures and allow for more accurate financial reporting of the fund account reflecting membership movements and would allow us to audit the movement of member numbers, which we have not been able to do.</p>	<p>a). It is recommended that the Pension Manager develops an Altair report that can count the total (and identify individual) retrospective changes to membership data.</p> <p>b). In addition, it is recommended that the Pension Database Administrator runs a data extract of Membership data on, or as close to 31 March as possible.</p> <p>c). It is also recommended that the Pension Fund Manager performs a reconciliation between prior-year reported membership numbers and revised membership numbers.</p> <p>d). In addition we concur with the internal audit recommendations that the Fund should be:</p> <p>i). Reconciling New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll monthly.</p> <p>ii). Carrying out a full reconciliation of Altair and SAP Payroll to provide further assurance that payments made to pensioners cast and provide the basis for a monthly reconciliation of cumulative balances.</p> <p>iii). Service to demonstrate that monthly reconciliations are verified, and an advisory recommendation has been made to ensure payment authorisations are always retained or recorded to show who approves each payment.</p>	<p><i>a) & c) Complete. A report already exists and is run periodically.</i></p> <p><i>b). Complete. Officers did this for 31 March 2019 (prior to the audit) and will continue to do this each year thereafter.</i></p> <p><i>d)i. Complete. This has been in place since before the date of the external audit.</i></p> <p><i>ii). Outstanding. This is proving highly time-consuming and complex and has been affected by a key staff absence. Officers are currently reviewing resourcing needs in order to determine a revised deadline.</i></p> <p><i>iii). Complete. This has been in place since before the date of the external audit.</i></p>

<p>Pension Fund - The admin team perform a review of all of the inputs for benefit calculations however only a high level reasonableness assessment is performed over the output of the calculations. The team are heavily reliant on the initial design and calibration of Altair to calculate pensions and lump sum benefits.</p>	<p>Some schemes of the size and nature of the Fund have at least one of the below controls:</p> <ol style="list-style-type: none"> 1. A formal compliance team whose role it is to check whether the correct decisions have been made through the benefits system. Best practice is to independently test a risk based sample of up to 10% of benefit calculations. 2. A formal pensions internal audit team either through a co-sourced or outsourced arrangement who will focus on a number of activities and include routine benefit calculations periodically in their reviews. 3. A 100% manual check on the different calculation routines impacted by system or actuarial factor updates. 4. A periodic 'deep-dive' which is undertaken by the pensions team on instruction by the audit committee. <p>Given the size and nature of the Fund and the tailoring of Intellipen specific for Fund purposes we recommend that the AC considers points 1 and 2 above.</p>	<p><i>We test and check all systems updates to Altair which have any impact on calculations (including all factor table changes) which gives us comfort that at the implementation of a calculation routine or any known change, that the system is functioning correctly.</i></p> <p><i>We accept that this approach will not capture any changes to the underlying system after that date, and we will implement a sample check to ensure, that the correct process is being followed and that the output of the calculations are correct, on a monthly basis.</i></p> <p>Planned implementation date: 31 March 2020.</p>
<p>The following opportunities for control improvement were identified pertaining to user access right management controls:</p> <ul style="list-style-type: none"> - No user access right reviews are performed to ensure that existing users have the appropriate access based on their job roles and responsibility. - The leavers' process on the Altair platform is not formally documented. No notifications are received from HR and access is removed based on the Systems Team's knowledge of 	<p>Without strong controls over ongoing appropriateness of access, there is a risk that people who change role within the organisation may accumulate excessive privileges or that accounts held by former employees may remain active. Redundant access for leavers constitutes a risk for inappropriate access by other active employees or for external intruders.</p>	<p><i>An approach to access rights is already in place although the Fund accepts this is largely informal and lacks sufficient controls although we still see this in practice as low risk. The Fund will formalise a Systems access policy in place to address the points raised in an appropriate manner.</i></p> <p><i>As a relatively small team (circa 33 staff), we consider it unnecessary for HR or payroll to advise us of starters or leavers as this are</i></p>

<p>the current employees at Wiltshire Pension Fund.</p> <ul style="list-style-type: none"> - The starters' process on the Altair platform is not formally documented. No formal documentation is available with regards to which seniority of access is appropriate for each user level. We have been further informed that the role profiles available within Altair do not match up exactly with job titles in use at Wiltshire Pension Fund. 	<p>Management should implement the following activities to reduce the associated risk:</p> <ul style="list-style-type: none"> - A process to grant new accesses to employees and to disable dormant accounts; - A periodic check of movers and leavers should be performed using HR or payroll records to ensure that any required changes to IT access rights have been notified by line managers and actioned; - Introduction of a formal review of user accounts and access rights at least annually to detect accounts with excessive privileges. 	<p><i>obvious and can remain the responsibility of the line manager.</i></p> <p>Planned implementation date: 30 April 2020</p>
<p>Disaster Recovery Plan Testing</p> <p>Although IT disaster recovery arrangements have been put in place, formal set of policies and procedures as part of the recovery plan is not formally documented and tested to assist employees in the event of disaster.</p>	<p>Disaster recovery forms a big part of a company's business continuity plan. Thus we recommend that it is formally documented, approved and tested on a regular basis to ensure it works and meet organizations defined recovery point objective (RPO) and recovery time objective (RTO) requirements. Testing procedures should involve integration of DRP testing results into planned maintenance and staff training programs.</p>	<p><i>The Fund generally considers DRP testing to be the responsible of the Council's IT; in particular for all Council hosted software. However, the Fund will work with its pension administration software provider to determine an appropriate approach to testing the disaster recovery testing of the Altair platform. For example, testing that the daily backup date procedure works in practice.</i></p> <p>Planned implementation date: 30 June 2020</p>