

NOTICE  
OF  
MEETING  
**BERKSHIRE PENSION BOARD**

will meet on

**THURSDAY, 2ND SEPTEMBER, 2021**

**At 11.00 am**

by

**VIRTUAL MEETING - ONLINE ACCESS, ON [RBWM YOUTUBE](#)**

TO: MEMBERS OF THE BERKSHIRE PENSION BOARD

ALAN CROSS (CHAIRMAN), NIKKI CRAIG, JEFF FORD, ARTHUR PARKER (VICE-CHAIRMAN) AND TONY PETTITT

Karen Shepherd – Head of Governance - Issued: August 24<sup>th</sup> 2021

Members of the Press and Public are welcome to attend Part I of this meeting. The agenda is available on the Council's web site at [www.rbwm.gov.uk](http://www.rbwm.gov.uk) or contact the Panel Administrator **Andy Carswell** 01628 796319

**Recording of Meetings** – In line with the council's commitment to transparency the Part I (public) section of the virtual meeting will be streamed live and recorded via Zoom. By participating in the meeting by audio and/or video, you are giving consent to being recorded and acknowledge that the recording will be in the public domain. If you have any questions regarding the council's policy, please speak to Democratic Services or Legal representative at the meeting.

## **AGENDA**

### **PART I**

#### **STANDING ITEMS**

<b><u>ITEM</u></b>	<b><u>SUBJECT</u></b>	<b><u>PAGE NO</u></b>
1.	<b><u>INTRODUCTION AND APOLOGIES</u></b> To receive any apologies for absence.	-
2.	<b><u>INTRODUCE DAMIEN PANTLING</u></b> To welcome Damien Pantling, Head of Pension Fund.	-
3.	<b><u>DECLARATION OF INTEREST</u></b> To receive any declarations of interest.	5 - 6
4.	<b><u>MINUTES</u></b> To approve the Part I minutes of the meeting held on May 27 <sup>th</sup> 2021.	7 - 14
5.	<b><u>SCHEME AND REGULATORY UPDATE</u></b> To receive and note the latest update.	15 - 16
6.	<b><u>ADMINISTRATION REPORT</u></b> To note the contents of the report.	17 - 26

#### **NON-STANDING ITEMS**

<b><u>ITEM</u></b>	<b><u>SUBJECT</u></b>	<b><u>PAGE NO</u></b>
7.	<b><u>RISK ASSESSMENT REGISTER</u></b> To note and discuss the contents of the register.	27 - 34
8.	<b><u>GOVERNANCE PROGRESS UPDATE</u></b> To note the report.	35 - 38
9.	<b><u>INTERNAL AUDIT REPORT</u></b> To note the report.	39 - 44

10.	<u>EXTERNAL AUDIT PLANNING REPORT</u>  To note the report.	45 - 64
11.	<u>EXTERNAL AUDIT PROGRESS MATRIX</u>  To note the report.	65 - 76

### **BERKSHIRE PENSION FUND COMMITTEE**

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
12.	<u>PART I PENSION COMMITTEE PAPERS FOR SEPTEMBER 20 2021</u>  For members to review and comment on various draft papers ahead of final versions being presented to the Pension Committee on September 20 <sup>th</sup> 2021.	-

### **EMERGING ISSUES**

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
13.	<u>WORK PROGRAMME</u>  To discuss any issues relating to the ongoing work programme.	-
14.	<u>ANY OTHER BUSINESS</u>  To discuss any other items of business.	-

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## MEMBERS' GUIDANCE NOTE

### DECLARING INTERESTS IN MEETINGS

#### **DISCLOSABLE PECUNIARY INTERESTS (DPIs)**

DPIs include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any license to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where
  - a) that body has a piece of business or land in the area of the relevant authority, and
  - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

#### **PREJUDICIAL INTERESTS**

This is an interest which a reasonable fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs your ability to judge the public interest. That is, your decision making is influenced by your interest that you are not able to impartially consider only relevant issues.

#### **DECLARING INTERESTS**

If you have not disclosed your interest in the register, you **must make** the declaration of interest at the beginning of the meeting, or as soon as you are aware that you have a DPI or Prejudicial Interest. If you have already disclosed the interest in your Register of Interests you are still required to disclose this in the meeting if it relates to the matter being discussed. A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in discussion or vote at a meeting.** The term 'discussion' has been taken to mean a discussion by the members of the committee or other body determining the issue. You should notify Democratic Services before the meeting of your intention to speak. In order to avoid any accusations of taking part in the discussion or vote, you must move to the public area, having made your representations.

If you have any queries then you should obtain advice from the Legal or Democratic Services Officer before participating in the meeting.

If the interest declared has not been entered on to your Register of Interests, you must notify the Monitoring Officer in writing within the next 28 days following the meeting.

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# Agenda Item 4

## BERKSHIRE PENSION BOARD

THURSDAY, 27 MAY 2021

PRESENT: Alan Cross (Chairman), Nikki Craig, Jeff Ford, Arthur Parker (Vice-Chairman), Julian Curzon and Kieron Finley

Also in attendance: Ian Coleman

Officers: Kevin Taylor, Philip Boyton and Fatima Rehman

### INTRODUCTION AND APOLOGIES

Apologies were received from Tony Pettitt, with Kieron Finley and Julian Curzon as prospective substitute employer board members.

### DECLARATIONS OF INTEREST

Although no formal declarations of interest were declared, it was noted that the Chairman received an exit package when he left Reading Borough Council in 2018 and so these details would be contained in the data submitted by Reading Borough Council to MHCLG in response to their request for exit payment information.

### MINUTES

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on March 4<sup>th</sup> 2021 be approved, subject to the following changes:**

- 'Late submissions' rather than 'late payments'
- 'Very low perceived risk' rather than 'no perceived risk'

Jeff Ford asked if the Head of Pension Fund was appointed, and Nikki Craig, Head of HR, Corporate Projects and IT (at RBWM), said the recruitment process had ended and a public announcement would be made once the HR processes had completed. The successful candidate was due to start on 1 September 2021.

### SCHEME AND REGULATORY UPDATE

Kevin Taylor, Pension Services Manager, introduced the item.

a. Exit reforms

The £95,000 exit cap was revoked and the MHCLG was considering what actions could be taken regarding exit costs and payments within the public sector. On 9 April 2021, a letter was sent to local authorities requesting exit payment data as scheme employers of the Pension Fund. All local authorities in England and Wales were required to provide information on all exits from 2014 to date, so that the MHCLG could better understand the implications of potential regulatory change. The cap was an attempt to restrict "excessive" payments; however, it was identified that many average salary employees, as well as high earners, would be unintentionally caught in the cap. There was also unresolved conflict between the regulations.

Arthur Parker asked if the results of the consultation were published. Kevin Taylor said he had not seen any information, but it would be interesting to know how swiftly government would implement this, as the government still intended to have an exit limit despite the original cap having been revoked. The Chairman asked if local authorities were given the form to fill in and Arthur Parker said that a notification was sent to authorities regarding the format of the consultation that was responded to. The letter in the report suggested authorities would need

to respond by May 2021, but this had not happened as the final form was not sent in time to achieve this.

Kevin Taylor said the borough had received a request for information and was collating this. Nikki Craig said an email on 25 May 2021 was received from South East Employers (SEE), who had made representations to MHCLG along with the Local Government Association (LGA) regarding the requirement to provide information from 2014. SEE's email said the MHCLG intended to send a letter setting out the finalised exit pay reporting requirements on 26 May 2021. It would be sent to Chief Financial Officers and it was highly likely that councils would be notified of the revised requirements before the SEE had site of the letter. The letter was likely to set a reduced reporting requirement of two years and sections where a short commentary on exit decisions could be given. A short extension to the deadline was being considered.

b. TPR Code of Practice

Kevin Taylor said an internal audit was undertaken almost three years ago to review the administering authority's alignment to the Pensions Regulators code of practice 14 on administration and governance. The results from the audit were very good, but the Pensions Regulator was now consolidating the codes of practice into one code. Another internal audit may need to be undertaken once the new code was published. The Chairman said it was good practice to revisit the code on a periodic cycle and asked what resource would need to be put into place for the review. Kevin Taylor said documentations would need to be revisited and changed, such as the Members Handbook.

c. Written Ministerial Statement dated 13th May 2021 on McCloud and the LGPS

Kevin Taylor said an announcement was made on 13 May 2021 by Luke Hall, Minister of State for Regional Growth and Local Government, expressing the progression on the requirements and outcomes of McCloud. Further details would be forthcoming with a consultation, and outcomes would be published later in the year, with guidance from the government and other parties. This would create considerable work and resource for the administration team.

Jeff Ford asked if the original date had been moved back. Kevin Taylor explained that the original underpin protection applied to anyone in the scheme on 1 April 2012 who was within 10 years of retirement. The Chairman said whilst it was a significant issue, the overall amount for the Local Government Pension Scheme (LGPS) was not expected to be large. Kevin Taylor said that the Fund actuary has already taking into consideration the potential impact of McCloud on the Fund and it was expected that the outcomes would not be significant for the Fund.

## PART I COMMITTEE PAPERS FOR 14 JUNE 2021

The Chairman said the papers were emailed to the those present and were not published in the agenda as they were draft documents. The final version would be in the public domain once published in readiness for the next Pension Committee meeting on 14 June 2021.

5Ai. Draft Employer Flexibilities Report

Kevin Taylor said the report came to fruition following legislation amendments to the LGPS in September 2020 to give employers greater flexibility on how they dealt with exit costs when they left the scheme. The impact would be greater on private companies who joined the scheme under contract to other authorities but would have less impact on unitary authorities, town, and parish councils as 'scheduled bodies'. When employers leave the scheme the Fund actuary has to undertake a cessation valuation and identify whether a deficit existed that required the exiting employer to make an exit payment to the Pension Fund. This could be a considerable amount that could be difficult for the employer to pay as a one-off amount and therefore employer flexibilities have been introduced. Payments could either be made in line with a deferred debt or debt spreading arrangement subject to the administering authority's



establishing policies to support the approach. The Fund actuary had produced the draft policies as well as proposing changes to the Funding Strategy Statement (FSS).

5Aii. Draft FSS

The Chairman said sections 3.12 to 3.14 were similar and should be consolidated, and section 5.4 needed to comment on the 2019-22 period. The Chairman asked when the next FSS was due to be reviewed and Ian Coleman said it was due after the next actuarial valuation at the latest. This would be late 2022, though anything that needed to be reviewed would be done so at any stage.

5Aiii. Draft Contribution Review Policy

The Chairman said this appendix was a new policy and Kevin Taylor said this set out what the options would be and the processes that would have to be undertaken. The Chairman commented that an organisation that received an adverse audit report may also trigger a contribution review and could be added to the report. Ian Coleman said the recommendations were from the actuary and if issues arose, they would be changed. It was agreed for the comments from the Board to be given back to the actuary.

The Chairman asked if there were circumstances where the cost responsibility could be shared through mutual agreement and Kevin Taylor said the purpose of the policies was to avoid shared costs as the employer was responsible for the liabilities that they build up. The 'new' options available reduce the risk of an exiting employer not being able to afford any exit payment identified by the actuary thereby reducing the risk of other scheme employers having to meet a part-share of those costs.

By giving options to recover post-exit liabilities potentially benefited the Fund and other employers and allow employers to meet costs they might not otherwise be able to pay.

5Aiv. Draft Debt Spreading Agreement (DSA) and Deferred Debt Agreement (DDA) Policies

Berkshire Pension Fund Committee would be asked to agree the drafts on 14 June 2021. Significant changes were not anticipated but would be implemented if they arose and would be brought the report back to the Committee for further approval. The Chairman asked if employers had a say in the policy and Kevin Taylor said a policy was needed that could then be put forward for consultation. The Chairman asked if there was a deadline, which there was not (at present).

5Bi-iv. Draft Deloitte ISA260 Final Report for 2019-20 Audit; ISA260 Report 2019-20; Draft Audit Progress Matrix; Draft Audit Planning Report 2020-21

Ian Coleman said the reports covered Deloitte's final report on the 2019-20 audit, a planning report for the 2020-21 fund audit and an agreed action plan on addressing the issues raised in Deloitte's 2019-20 audit report. The Chairman said the Fund had legacy historic alternative investment the valuation of which had been difficult due to the impact of COVID-19. Ian Coleman said the Fund was not unique in continuing to have alternative investments, which were affected by the collapse in the Stock Market in March 2020. The investments were valued once a year resulting in some lagged pricing. The known values as at 31 March 2020 were inevitably different to those identified once the re-valuations had taken place. However, the large variation in the valuations from 31 March 2020 to the date that the accounts were completed was a direct result of the impact of COVID-19. In normal circumstances this should not be the case and it is anticipated that in future years such large variances will not be seen.

Julian Curzon asked for an example of bespoke events and investments and Ian Coleman said these were not quoted on the stock exchange, such as the Milltrust investment in agricultural holdings in Australia and New Zealand. Additional bespoke valuations were needed for each of these funds that were costly, but it was hoped it would be smoother this year. Julian Curzon asked how historical valuations would apply for scheme employers who decided to leave during this turbulent period. Ian Coleman said individual investments in

comparison to the total value of the Fund were insignificant and would not affect calculations for individual employers.

Jeff Ford asked if the super-user issue had been resolved to the satisfaction of the auditor as it seemed the software provider would need to update the system to accommodate this. Kevin Taylor said there would be a third independent person to review the audit files produced from the system and interrogate the files. They would need to see what input was made by the super users against their own records to ensure consistency. This was an issue raised by the auditor as Kevin Taylor and Phillip Boyton, Pension Administration Manager, were the super users of the system.

Julian Curzon asked if the £1.2 million loan was material. The Chairman said it was not an unusual amount for inter-local authority treasury activity but that there ought to be extra processes in place in transactions between the administering authority and Fund due to the perceived conflict of interest. Julian Curzon asked if there was a public scheme of delegation of limits and amounts that could be dealt with. Ian Coleman said there was an agreed treasury management policy that applied to the borough and pension fund accounts, which stated the process for lending and borrowing money, and who could borrow and lend. A separate treasury management strategy for the Pension Fund would be put together this year, which was good practice.

Ian Coleman said the auditor at the time could not find sufficient documentary evidence for why the loan was made overnight and repaid the following day (and who approved it for both authority and Pension Fund) and therefore better documentation was needed in future. Nikki Craig said the auditors presented the report at the Audit and Governance Committee where they thought the loan may have been done over the phone rather than in writing. The Chairman said it was normal for such treasury activities to be agreed by phone call, but they should subsequently be documented (particularly given the potential perceived conflict of interest).

Julian Curzon asked if the incomplete cashflows were irrelevant or technical. Kevin Taylor said the delay in cashflows for the reconciliations was because the Pension Fund accountant left in November 2019 and a replacement was not appointed until April 2020. There was a catch-up period and the reconciliations were not done monthly. The Chairman said it appeared to be an issue of resilience and Kevin Taylor said it was picked up by the auditors as key person risks.

The Chairman asked if it was custom and practice for the local authority and the Pension Fund to be on the same ledger and if that was being changed. Kevin Taylor said they had always been on the same ledger system but there was a project plan for both to have their own account on the ledger by April 2022. The Chairman asked if this was the norm in other authorities and Ian Coleman said it was the norm for larger funds. Arthur Parker asked if this was setting up a separate company or a separate general ledger from the main authority and Ian Coleman said it was a separate ledger account. The Chairman asked if this had implications on cash that legitimately needed to be moved between the authority and Pension Fund and Kevin Taylor said there would no longer be simple journal ledger transfers.

The Chairman said the authority's current audit response timeline was missing and Kevin Taylor said there was an updated version. Ian Coleman said the intention was for the report to be brought back to each meeting so that the progress could be seen against the issues raised by the auditors. The Chairman asked if the timeline would cause resourcing issues and Kevin Taylor said resources had been considered. The Chairman asked if the auditors saw the timeline and if they had any comments and Ian Coleman said the auditors saw the report.

**ACTION: The timeline to be shared with the Berkshire Pension Board.**

5Ci-ii. Draft Pension Fund Governance Progress Report; Draft Governance Progress Matrix

Ian Coleman said the report was received in the last two meetings and was updated for progress and would continue to come to the meeting until all actions were completed. The Chairman said there was provision for a trade union representative on the former Panel, but the post had not been taken up recently. However, the college representative had been taken up by Keiron Finlay, though both roles had been removed in the governance review with the Pension Board being a more appropriate place for them. The Chairman asked if the start date of the Head of Pension Fund could be given publicly once confirmed and Ian Coleman said it would.

5Di-ii. Draft Good Governance in the LGPS – Phase 3 Report to SAB; Hymans Robertson Report

Kevin Taylor said this was phase three of the good governance in LGPS project that was initiated in 2019 when the Scheme Advisory Board appointed Hymans Robertson to undertake the governance review. The consultations had been undertaken and proposals were being put forward on what steps needed to be taken nationally and how local authority Pension Funds should improve their governance. The borough was in a good position because of a recent external, independent review of governance of the Fund. The MHCLG was going to provide statutory guidance on how Funds needed to implement the good governance requirements.

Jeff Ford asked which version from the Good Governance report appendices would be used with the new Head of Pensions and asked if they would report to the S151 Officer or Chief Executive. Kevin Taylor said that in the managerial structure they would be reporting to the Head of Finance, who was the deputy S151 Officer. The Chairman asked if it was envisioned that the LGPS senior officer was then the Director of Resources or the Head of Pension Fund, and Ian Coleman said the discussion had not yet taken place and the appendices were options, and it remained to be seen which the MHCLG might see as acceptable.

The Chairman pointed out that there was no legal impediment for an individual being both the head of a paid service and the chief financial officer of the organisation, but it was now seen as poor practice. The Chairman felt example 5 for the organisational structure was problematic because the Head of Pension Fund role was somewhat split. He questioned how the Fund could be corporately represented if the role was tier 4, and Jeff Ford said the role appeared too low at tier 4.

The Chairman noted the report mentioned that senior officers needed to challenge advisors where appropriate to enable effective operation and said he would have a conversation with the officers to understand how this would happen.

5Ei-ii. Draft Administration Report; Draft Administration Report

Philip Boyton said the report was for Q4 from January to March 2021. Scheme membership increased across all status. Submissions through i-Connect showed the performance of all six unitary authorities in submission of their monthly files was 100%, an improvement on past quarterly reporting (that had been impacted by COVID-19). The pension team was working with academies, schools, and other employer types on file submission, and it is planned to onboard all outstanding employers with more than 10 active scheme members by 31 March 2022. The Chairman queried the processing of new Starters in relation to Slough and was advised that a process error had occurred that had subsequently been rectified (and the figures would need amendment).

Processing of retirement benefit payments within a 5 working day turnaround was tricky, with three Trainee Pension Administrators who were going through their own Personal Development Plans. Therefore, the key performance indicators were lower than desired; however, scheme members were not receiving late payment of their benefits.

The team were reviewing how to report events including, pension surgeries, presentations and employer meetings and training. The Board indicated that the focus should be on the number of members attending, whether virtually or in person, not event numbers. Stakeholder feedback was included in the report, following Jeff Ford's suggestion during the previous

meeting. The pension team communicated to all employers, informing them of their obligations and what the team needed for Year End 2021 processing. There was a pension increase programme that needed to be fulfilled for deferred and in payment scheme members. Annual Benefit Statements were made available online to all deferred scheme members on Monday, 12 April 2021 and Pension Increase Booklets were issued by post to all in payment scheme members prior to payment of April's monthly pension payment.

Jeff Ford asked if staff were going back into the office or continue to work from home. Philip Boyton said since working remotely, the team had identified more efficient ways of working and the offices were being attended by skeleton staff throughout the pandemic. Guidance was still to be given by the head of service regarding the return to offices, although the preference among team members was for a few days in the office each week.

Jeff Ford asked if all Year End 2021 returns were received from non i-Connect employers. Philip Boyton said there were three outstanding Year End 2021 returns, totalling approximately 50 scheme members, one of which was a late employer admission to the scheme. The requirements sent out on 8 February 2021 requested for Year End 2021 returns to be submitted by 30 April 2021, and there was a robust tracking system of when returns are received and processed. It is strongly anticipated Year End 2021 would be complete by 30 June 2021, including making available Annual Benefit Statements, but this is dependent on how quickly scheme employers reply to queries raised. Completion by 30 June 2021 would be two months ahead of the statutory deadline of 31 August 2021. The Chairman said this was better than usual and i-Connect was working.

The Chairman asked if there were still issues with collecting information on website views, and Philip Boyton said the borough changed web providers, and views were significantly less as users could choose if they wished to be tracked. The statistics were therefore not accurate. Nikki Craig said this was the same for all websites, where users are asked if they want to allow tracking as part of data protection. The Chairman suggested for data to be collected on how many users used at least one webpage.

The Chairman suggested an overall performance percentage for the four key performance indicators reported. Kevin Taylor explained that a green bar showing the average performance across a rolling 12 months used to be included and can be included again in future reporting. The Chairman was ambivalent about whether stakeholder feedback should be put into the public domain and Philip Boyton said there had been media coverage on Prudential, who also admitted to their failure to communicate with LG Pension Funds regarding their challenges. Prudential turned around the belated cases in 14 working days and assured they were on track with future claim requests received to disinvest funds within 14 working days of receipt.

The Chairman asked if the blank events and attendees' chart would be replaced, and Philip Boyton said they could show how each event was being delivered, the number of attendees, and the location of events. The Chairman said it would be beneficial to communicate the operation of events remotely and Philip Boyton said this is possible using a remote pension surgery that took place the day before at Reading Borough Council as an example. The team was able to reach out to more scheme members and the events were well attended.

Jeff Ford asked how many scheme employers were not on i-Connect and how many would be on board in a years' time. Philip Boyton said 178 were not onboard and would all be onboard by 31 March 2022. The Chairman asked how many scheme employers had less than 10 scheme members, and Philip Boyton said he did not have the figures on hand. The Chairman asked how academy and school i-Connect users could be increased and Julian Curzon said he was happy to speak to the employers.

The Chairman asked if Slough Borough Council did an externalisation or a lot of people left, and Philip Boyton said they had a restructure that resulted in new post numbers, which was the matching criteria for i-Connect onto the pension teams records. The 1,215 early leavers were a false figure between the production of the report and the additional work carried out to

assist the employer in rolling back and Slough Borough Council re-uploaded. The Chairman requested for the report to reflect the genuine number of early leavers.

### ANY OTHER BUSINESS

The Chairman said the events tracker had not been included this time and suggested a standing note under the AOB item to verbally note training issues that were either available to members or were taken up at meetings. He had attended a recent PSLA conference.

Kieron Finlay and Julian Curzon were formally proposed as Substitute Employer Members to Berkshire Pension Board, and the Chairman indicated that he had sent a message to Unison in an attempt to identify a suitable Scheme Member representative (in line with the Governance Review).

**UNANIMOUSLY AGREED: That Kieron Finlay and Julian Curzon be substitute Members to Berkshire Pension Board.**

The Chairman said Kevin Taylor could be contacted from Tuesday to Thursday, as he was flexibly retiring at the end of May. The Chairman said he would virtually attend the Berkshire Pension Fund Committee.

The meeting, which began at 11.00 am, finished at 1.07 pm

CHAIRMAN.....

DATE.....

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## **SCHEME REGULATORY UPDATE FOR PENSION BOARD – 2 SEPTEMBER 2021**

### **MCCLOUD AGE DISCRIMINATION REMEDY**

The Public Service Pensions and Judicial Offices Bill WAS laid before Parliament on 19 July 2021. The Bill amends the Public Service Pensions Act 2013 and its equivalent in Northern Ireland, making provision to rectify unlawful discrimination in the way in which Public Service Schemes were reformed in 2015 (2014 for the LGPS in England and Wales) and includes retrospective measures. As expected, it confirms the remedy period as covering membership from the date of reform (1 April 2014 for the LGPS) to 31 March 2022 for eligible members.

For the LGPS (referred to as Chapter 3 schemes in the Bill), the Bill enables LGPS regulations to make provision for final salary benefits to be paid in respect of the remedy period (1 April 2014 to 31 March 2022), i.e. it is the enabling legislation which will allow the LGPS regulations to implement the McCloud remedy by extension of the underpin. It is believed that draft LGPS regulations are expected by the end of 2021 which will hopefully enable progress to be made on upgrading administration systems to allow for the changes as well as help administering authorities plan their communication and rectification programmes.

Interestingly, for the other unfunded Public Service Schemes, the Bill confirms that the government will proceed with the deferred choice underpin, meaning that all eligible members will be treated as members of their legacy scheme for the period between 1 April 2015 and 31 March 2022, but with the choice of whether to take legacy or reformed scheme benefits when their pension becomes payable. All public servants who continue in service from 1 April 2022 onwards will do so as members of their respective reformed scheme and the legacy schemes will be closed in relation to service after 31 March 2022. The Bill also sets out parameters for the treatment of changes in pension contributions and special cases.

The provisions in relation to the unfunded schemes will come into force by 1 October 2023 at the latest and, whilst no date is specified for the LGPS, the recent Written Ministerial Statement said that the Government's intention is that regulations for the LGPS will come into force on 1st April 2023.

### **SPECIAL SEVERANCE PAYMENTS**

The Government has issued Draft Statutory guidance on the making and disclosure of Special Severance Payments by local authorities.

What is a special severance payment?

In the context of the draft guidance, Special Severance Payments are payments made to employees, officeholders, workers, contractors, and others outside of statutory, contractual or other requirements when leaving employment in public service. Employers may sometimes consider making such a payment in situations where the individual concerned resigns, is dismissed, or agrees a termination of contract. Which types of payments are Special Severance Payments will vary according to an employees' particular circumstances.

Paragraph 11 of the draft guidance lists the following types of payments as being ***likely*** to constitute Special Severance Payments:

- a) Any payments reached under a settlement agreement between the employer and employee to discontinue legal proceedings without admission of fault;

- b) The value of any employee benefits or allowances which are allowed to continue beyond the employee's agreed exit date;
- c) Write-offs of any outstanding loans;
- d) Any paid special leave, such as gardening leave;
- e) Any honorarium payments or gifts;
- f) Any hardship payments;
- g) Any payments to employees for retraining related to their termination of employment.

Paragraph 12 then goes on to list the types of payments that **may** constitute Special Severance Payments, depending on the terms of the individual's contract, relevant statutory provisions, any non-statutory applicable schemes and other relevant terms and conditions:

- a) Pay or compensation in lieu of notice (depending on the contractual basis for its payment);
- b) **Pension strain payments arising from employer discretions to enhance standard pension benefits.**

Paragraph 13 then lists those types of payment that **do not** constitute Special Severance Payments:

- a) Statutory redundancy payments;
- b) Contractual redundancy payments, whether applicable to voluntary or compulsory redundancy, and whether agreed by collective agreement or otherwise
- c) Redundancy payments made in line with the requirements of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006;
- d) Payment for untaken annual leave;
- e) Payments ordered by a court or tribunal or agreed as part of a judicial or non-judicial mediation;
- f) Payments made to compensate for ill-health, injury or death of the worker.

The draft guidance which will become statutory guidance in due course following a period of consultation will be for 'Best Value' employers to operate and manage. However, the reference as currently made to pension strain costs requires greater clarity a point made by the LGA in their response to government.





## **ADMINISTRATION REPORT**

**QUARTER 1 – 2021/22**

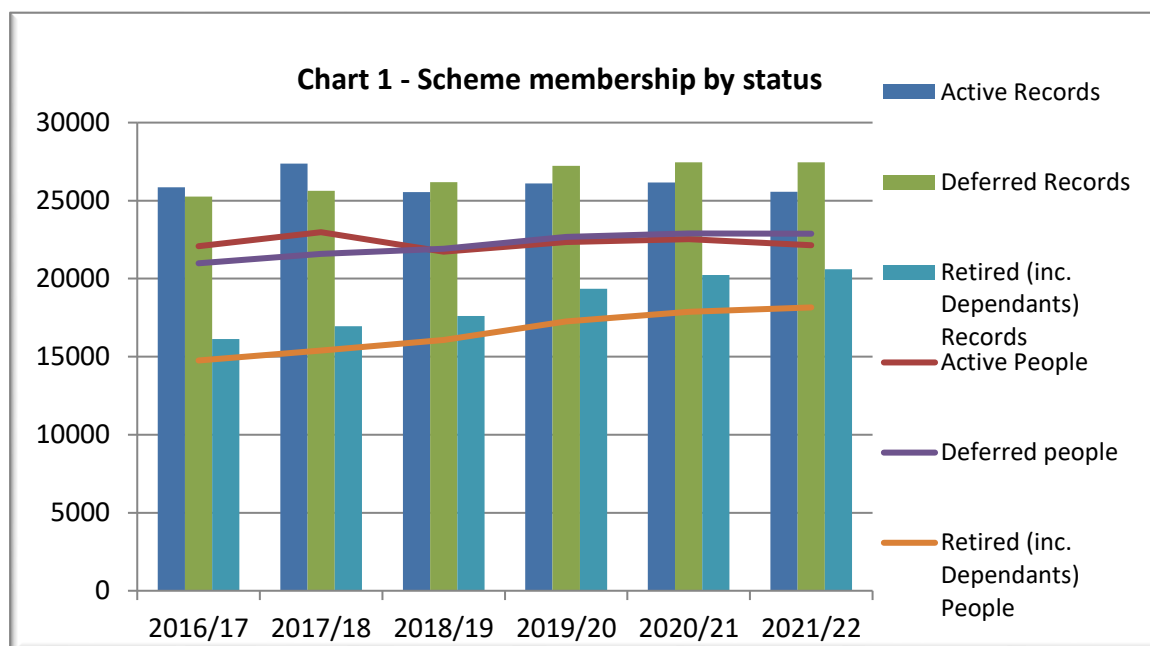
**1 April 2021 to 30 June 2021**

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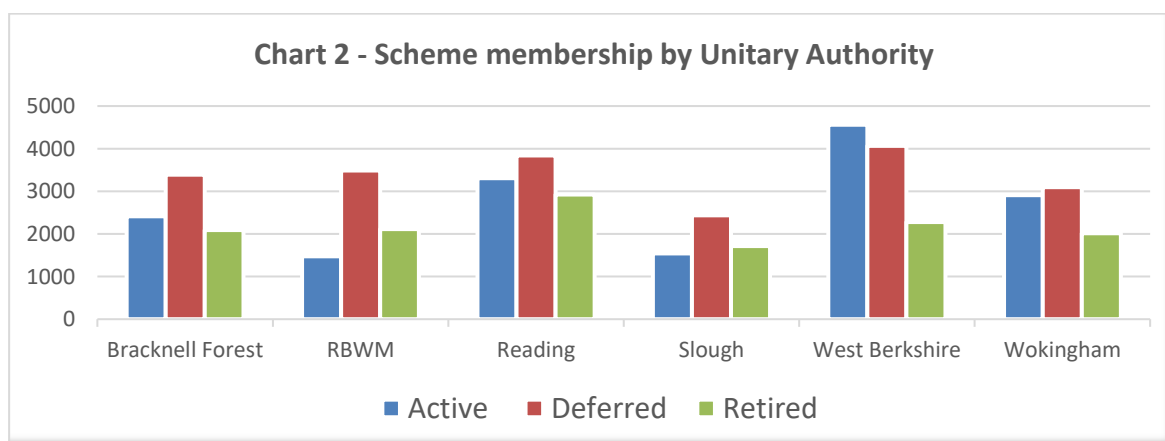
## 1. ADMINISTRATION

### 1.1 Scheme Membership



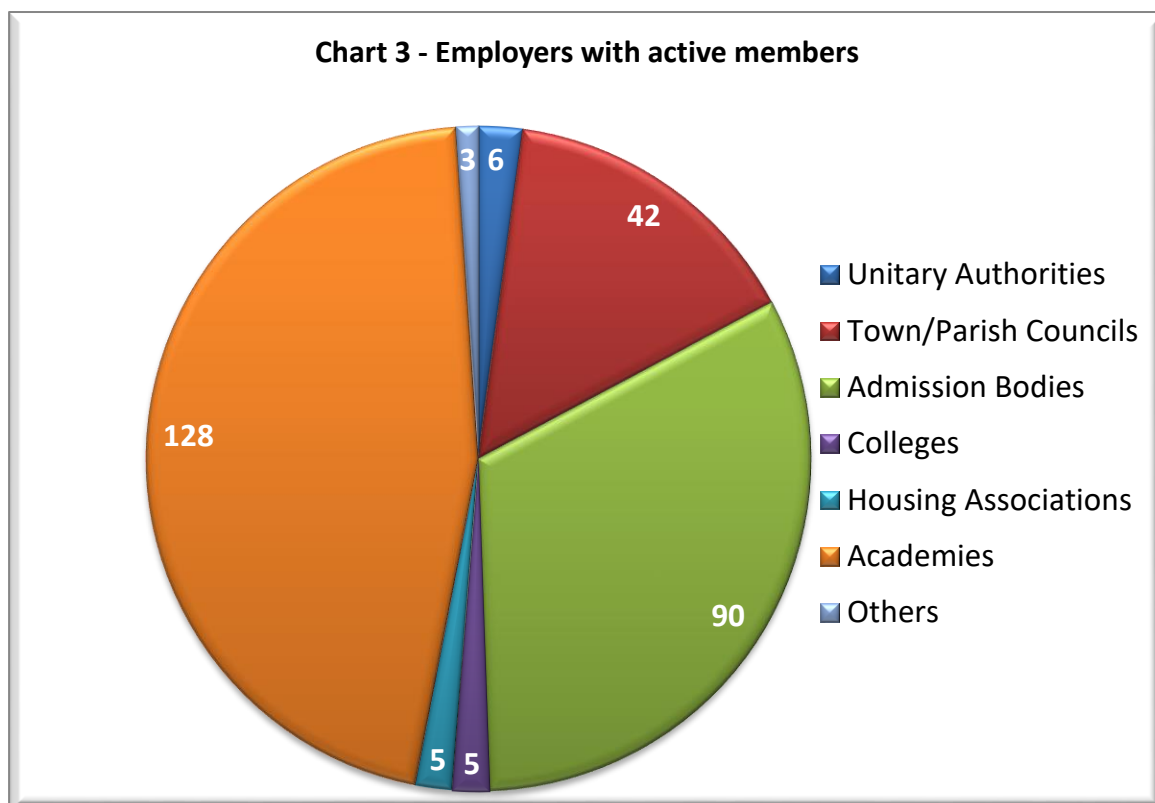
TOTAL MEMBERSHIP			
Active Records	25,571	Active People	22,141
Deferred Records	27,448	Deferred People	22,882
Retired Records	20,599	Retired People	18,157
<b>TOTAL</b>	<b>73,618</b>	<b>TOTAL</b>	<b>63,180</b>

### 1.2 Membership by Employer



Membership movements in this Quarter (and previous Quarter)						
	Bracknell	RBWM	Reading	Slough	W Berks	Wokingham
Active	+12 +27	-10 -27	-59 +19	-67 -61	-38 +13	-6 -13
Deferred	+21 -23	-35 +3	-7 -6	-2 -22	-34 -18	-3 -11
Retired	+25 +27	+37 +24	+41 +29	+31 +10	+65 +31	+45 +32

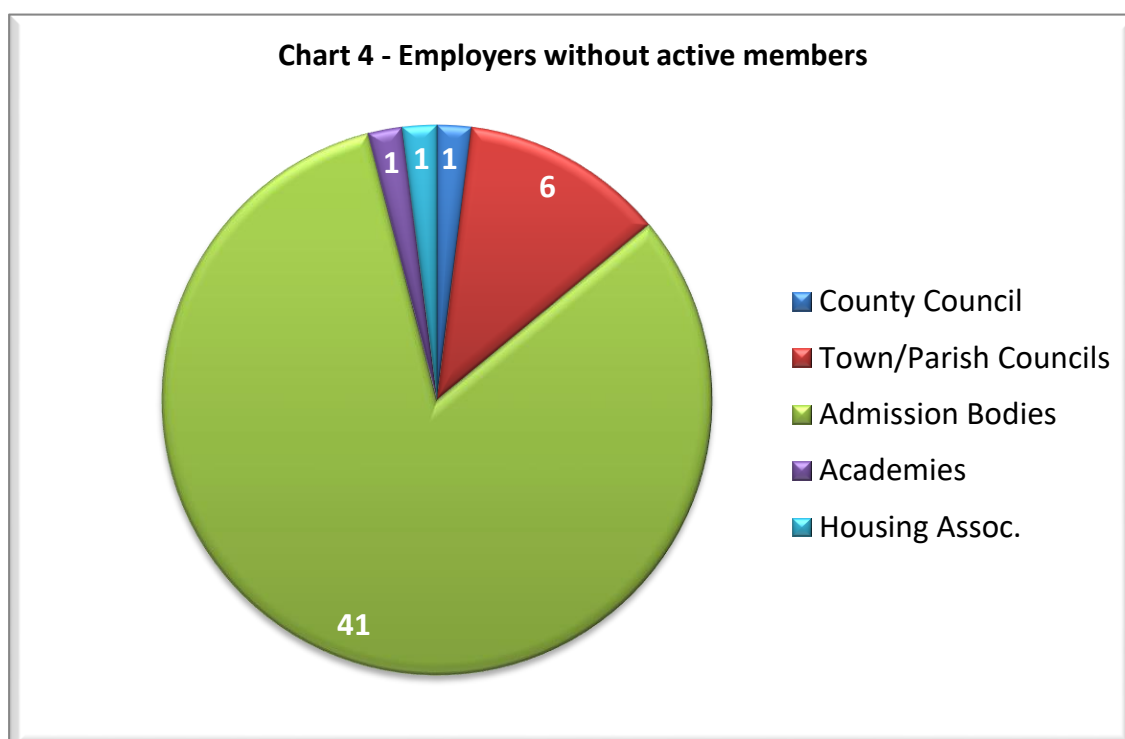
### 1.3 Scheme Employers



New employers since last report:

**Admission Bodies:** Everbrite Cleaning Services, Get Active x 2, Compass Contract Services

**Town/Parish Councils:** West Ilsley PC



**Exiting employers:** None

## 1.4 Scheme Employer Key Performance Indicators

Table 1A – i-Connect users Quarter 4 (1 April 2021 to 30 June 2021)					
Employer	Starters	Leavers	Changes	Total	Submission Received Within Specification
Bracknell Forest Cncl	175	141	487	803	100%
RBWM	99	87	249	435	100%
Reading BC	185	110	626	921	66.66%
Slough BC	190	273	1,029	1,492	100%
West Berks Council	373	238	1,015	1,626	100%
Wokingham BC	356	232	507	1,095	100%
Academy/ School	328	312	2,081	2,721	53.57%
Others	98	77	286	461	99.69%
<b>Totals</b>	<b>1,804</b>	<b>1,470</b>	<b>6,280</b>	<b>9,554</b>	

**NOTES:** Table 1A above shows all transactions through i-Connect for the fourth quarter of 2020/2021. Changes include hours/weeks updates, address amendments and basic details updates.

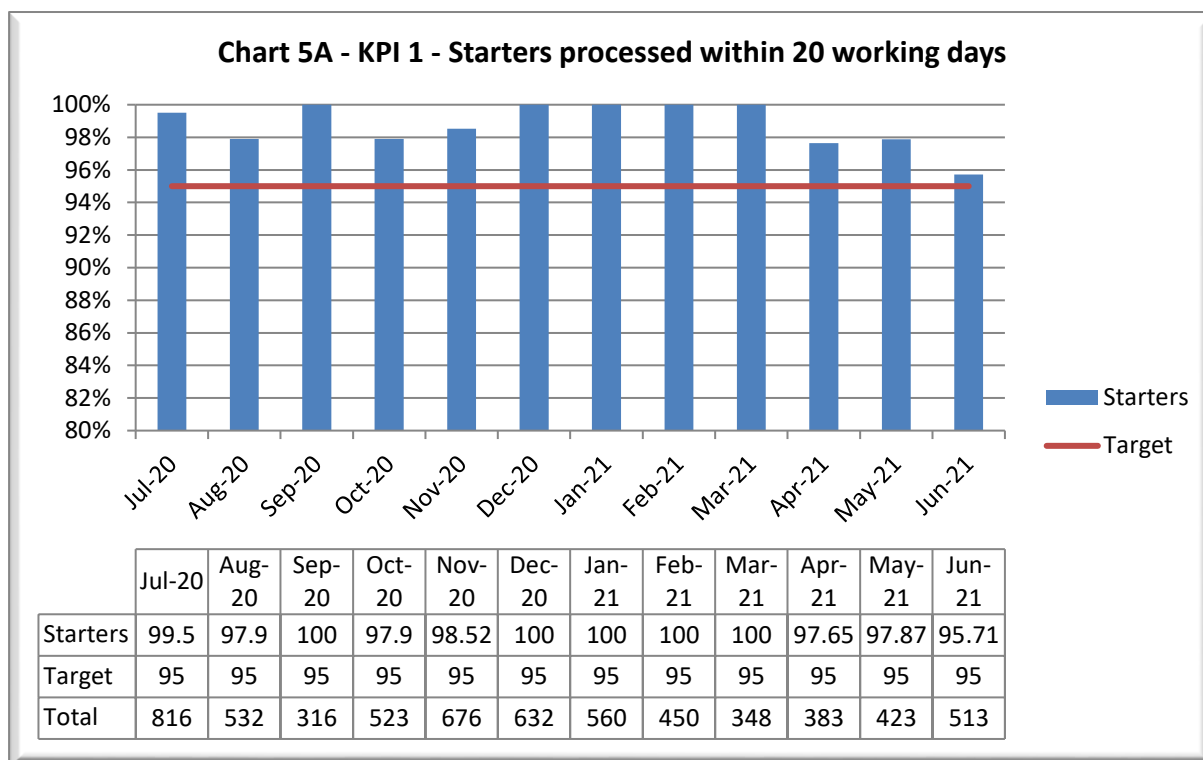
The benefits of i-Connect are:

- Pension records are maintained in ‘real-time’;
- Scheme members are presented with the most up to date and accurate information through *mypension* ONLINE (Member self-service);
- Pension administration data matches employer payroll data;
- Discrepancies are dealt with as they arise each month;
- Employers are not required to complete year end returns;
- Manual completion of forms and input of data onto systems is eradicated removing the risk of human error.

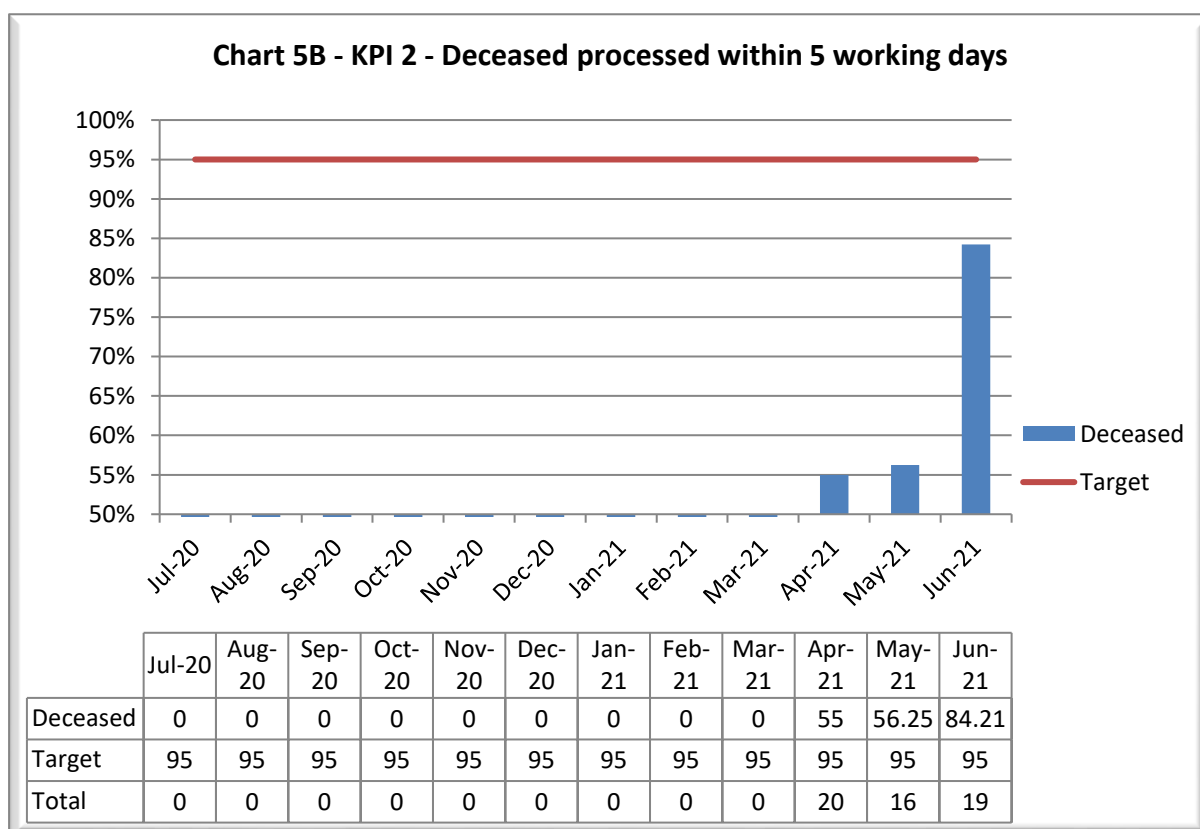
144 scheme employers are yet to on board i-Connect. Of these 31 individual scheme employers have more than 10 scheme members. In addition, we have 34 academies across 13 Multi-Academy Trusts (MATs) still to on-board making a total of 65 employers. (Please note that we treat the MAT as the employer so strictly there are 41 scheme employers with more than 10 scheme members still to on-board but 65 employer locations held on the administration system).

The Pension Fund is committed to having all scheme employers with 10 or more scheme members uploaded to i-Connect by 31 March 2022. Scheme employers with fewer than 10 scheme members (79 employers) will also be given the option of using an on-line portal version of i-Connect by that date.

## 1.5 Key Performance Indicators

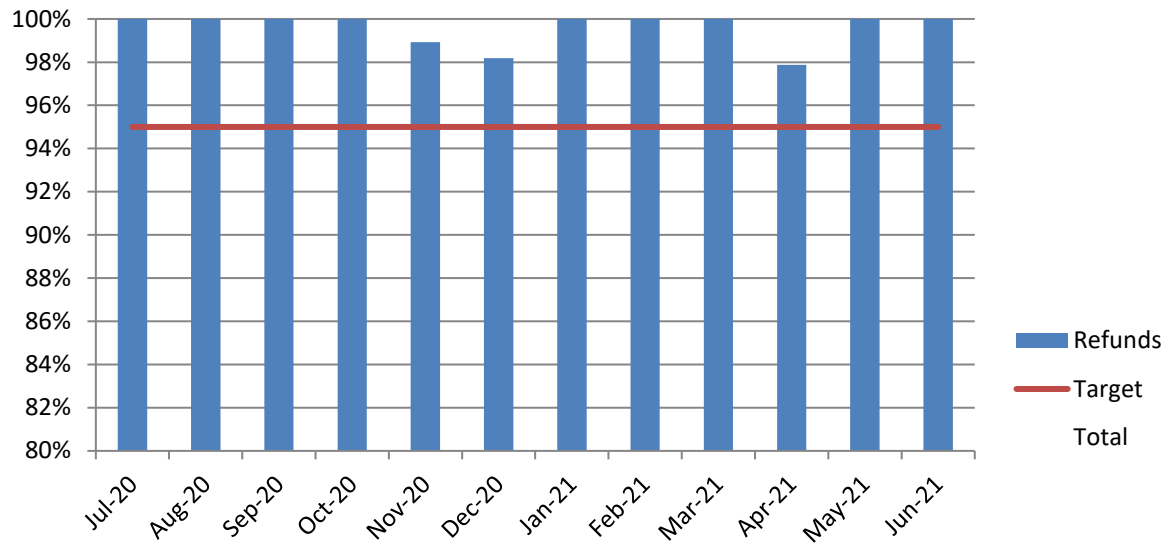


**CIPFA Benchmark:** Two months from date of joining the scheme or if earlier within one month of receiving jobholder information.



**CIPFA Benchmark:** As soon as practicable and no more than two months from date of notification of death from scheme employer or deceased's representative.

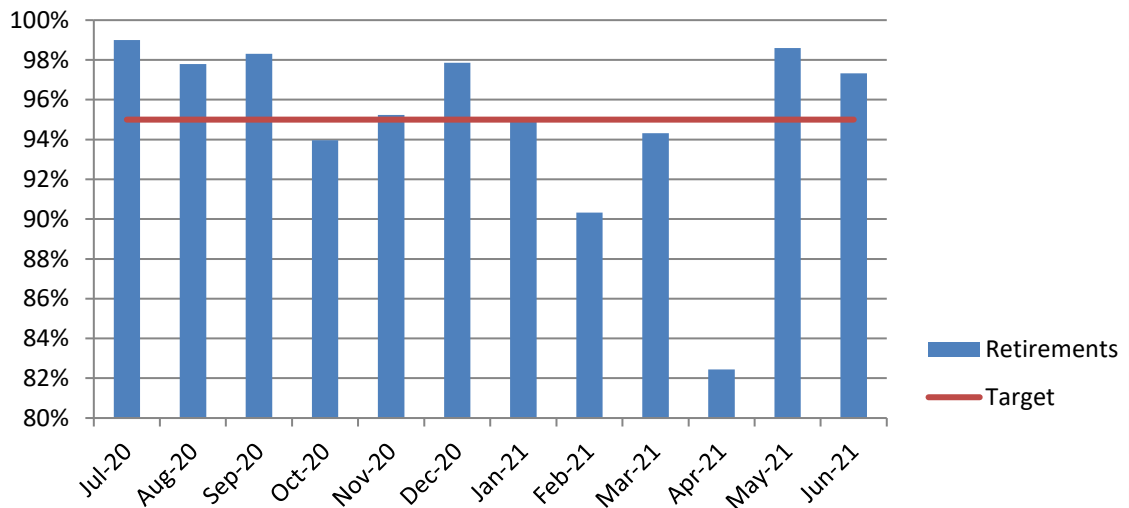
**Chart 5C - KPI 3 - Refunds processed within 10 working days**



	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Refunds	100	100	100	100	98.92	98.18	100	100	100	97.87	100	100
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	74	64	48	48	93	55	28	23	44	47	36	50

**CIPFA Benchmark:** To be confirmed.

**Chart 5D - KPI 4 - Retirements processed within 5 working days**

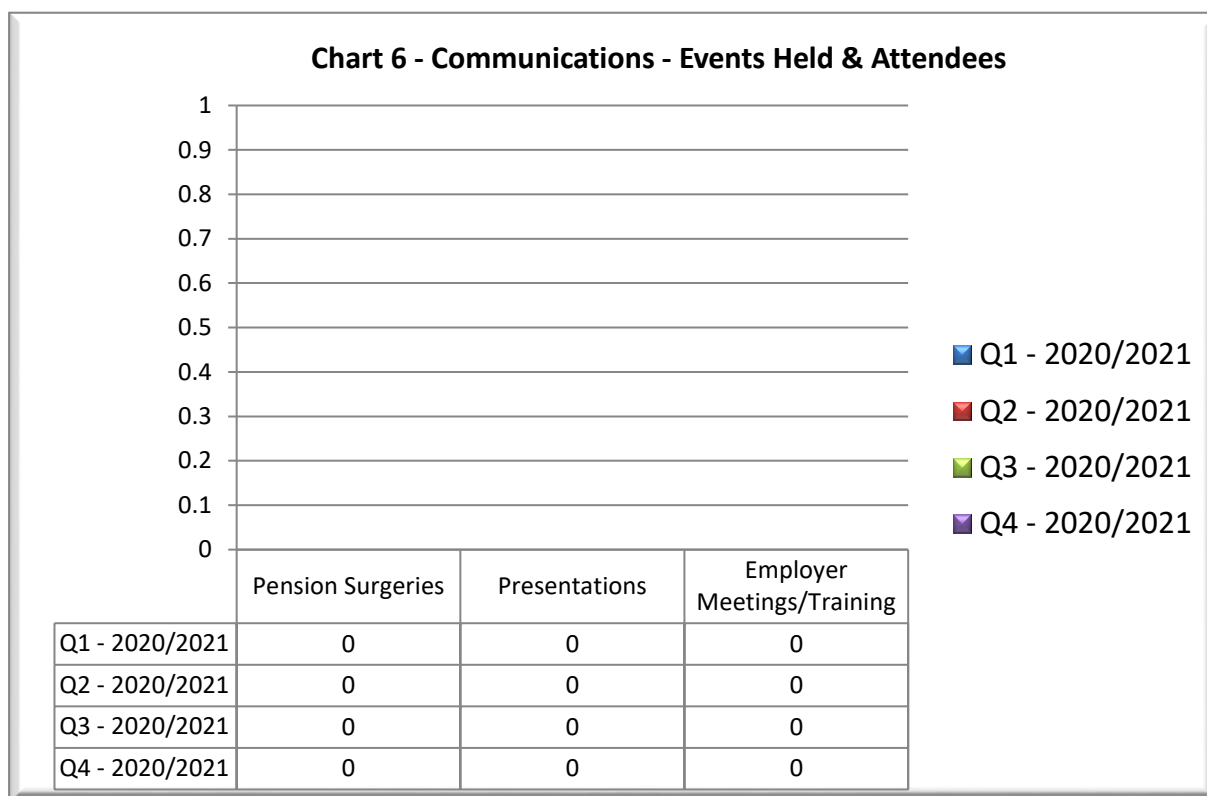


	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Retirements	99	97.8	98.3	93.96	95.24	97.85	94.96	90.32	94.32	82.44	98.6	97.33
Target	95	95	95	95	95	95	95	95	95	95	95	95
Total	107	91	120	149	126	93	119	93	88	131	36	150

**CIPFA Benchmark:** One month from date of retirement if on or after normal pension age or two months from date of retirement if before normal pension age.

## 1.6 Communications

*Not reporting on these events currently. Will be reported again from next quarter*



## 1.7 Stakeholder Feedback

As part of the Pension Fund's aim to achieve Pension Administration Standards Association (PASA) accreditation it is a requirement to report to Members the comments and complaints received from scheme employers and their scheme members on a periodic basis. Please see below feedback received from stakeholders during the fourth quarter:

Date Received	Method	Feedback
05/05/2021	Email	Thank you for your help today. I was a bit lost without it.
06/05/2021	Email	I also want to put on record my thanks to [NAME] for his support, advice and patience with my never-ending questions during the last 12/14 months in relation to the drafting of the Admission Agreement.
07/05/2021	Email	I would also like to say thank you so much to you and your team for your support and guidance with the LGPS over the years, it has been a pleasure to work with you.
13/05/2021	Email	Many thanks for your prompt response - most impressive.
03/06/2021	Email	That is good news. Thank you for your perseverance.
04/06/2021	Email	Hi [NAME] – thank you very much indeed for coming back so quickly. I'm



		very grateful to you for explaining it in such a clear and understandable way! I'll think further on next steps – but meanwhile, thank you again and have a good weekend! With best wishes.
10/06/2021	Email	Good Morning [NAME], just wanted to say thank you very much for sending the below information. It is exactly what we needed, and we received this very quickly! Thank you again, and all the best.

## 2 SPECIAL PROJECTS

### 2.1. *McCloud Judgement*

In 2014 the Government introduced reforms to public service pensions, meaning most public sector workers were moved into new pension schemes in 2014 and 2015.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' pension schemes, as part of the reforms, gave rise to unlawful discrimination.

On 15 July 2019 the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

The changes to the LGPS include transitional protection for members who were within 10 years of their Final salary Scheme normal pension age on 1 April 2012, ensuring that they would receive a pension that was at least as high as they would have received had the scheme not been reformed to a Career Average Revalued Earnings scheme from 1 April 2014.

Like all LGPS Pension Funds we are currently analysing the membership whilst working closely with both our actuary, Barnett Waddingham, and pension software provider, heywood Limited, to identify those members impacted by this judgement leading to a recalculation of deferred and in payment scheme member benefits.

### 2.2 *Year End 2021 Processing*

Officers are pleased to report the reconciliation of data in respect of active contributors was successfully completed ahead of the statutory deadline of 31 August 2021.

In total 276 scheme employers were required to provide Officers with a Year End File by 30 April 2021. This was achieved by 251 scheme employers with the remaining 25 scheme employers providing their file by no later than 13 July 2021.

Annual Benefit Statements were made available as soon as each scheme employers reconciliation is complete with the first being issued on 22 April 2021 and the last being issued on 13 July 2021.

### 2.3 *Pensions Dashboard Programme*

A national pensions dashboard has been on the horizon for some time, but now the Pension Schemes Act 2021 has received Royal Assent it is anticipated the Department for Work and Pensions (DWP) to consult on detailed dashboards regulations and with

regulators to begin supporting both private and public sector pension providers and pension schemes to comply with their dashboards compulsion duties. It is anticipated the Pensions Dashboards Programme (PDP) will publish further detailed instructions on how a scheme administrator must operate with the dashboards ecosystem.

Officers recognise it is important not to wait for all this consultation and guidance. Almost every aspect of administering a pension scheme is easier to achieve if data is actively managed and incorporates both Common and Scheme Specific data activities, an area Officers have successfully improved over the last three years.

Officers acknowledge Pensions Dashboards, if done well, could be a game changer in getting individuals to better engage with their pensions, and a better efficiency of pension scheme management. Officers understand the Pensions Dashboard will go live during 2023 and Officers will provide further details to Members in due course.

## Royal County of Berkshire Pension Fund – Risk Assessment Register

Ref	Risk	Risk Category	Cause	Impact	Risk owner	Controls in place to manage the risk	Current risk rating				Further actions necessary to manage the risk	Risk action owner	Date Complete	Target risk rating				Next Review Date
							Imp	Likelihood	Score	Level of risk				Imp	Likelihood	Score	Level of risk	
PEN 001	Failure to comply with Scheme regulations and associated pension law.	Operational	Lack of technical expertise / staff resources to research regulations, IT systems not kept up to date with regulations.	Incorrect pension payments made or estimates given. Unhappy customers, employers, risks of fines, adverse audit reports, breaches of the law.	Adele Taylor	Sufficient staffing. Training and regulatory updates for all individuals associated with the Fund. Competent software provider and external consultants.	2	2	4	Low	Work continues to ensure that the Fund complies fully with all governance and administration requirements.	Kevin Taylor Philip Boyton	Ongoing	2	2	4	Low	Sep 2021
PEN 002	Late issue of Scheme regulation amendments.	Operational	MHCLG do not issue changes to regulations well in advance of effective date.	Resource issues for Fund. Administering Authority has a duty to ensure that all stakeholders receive and have access to most up to date information.	Adele Taylor	Required actions to be considered in view of draft regulations. Senior managers to consider appropriate requirements and prioritise communications accordingly.	4	1	4	Low	Details to be included on welcome page of website and information to be distributed to Scheme employers for dissemination to scheme members via intranet and email.	Kevin Taylor Philip Boyton	N/A	4	1	4	Low	Sep 2021
PEN 003	The appropriate knowledge and understanding is not maintained by the Administering Authority.	Operational	Lack of technical expertise, training, professional development and continuous self-assessment to identify gaps in knowledge.	Failure to secure compliance with statutory obligations and tPR requirements leading to poor governance and administration of the Scheme. Dissatisfied customers, adverse audit reports, risk of fine.	Adele Taylor	Training plans in place for officers and Members of the Pension Fund Panel, Pension Fund Advisory Panel and Pension Board. Members of Pension Board to assist Administering Authority in ensuring compliance.	4	1	4	Low	Continual review of training needs and staff levels with succession plans developed.	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Sep 2021
PEN 004	Failure to maintain a high quality member database.	Operational	Poor or non-existent notification of member data by Scheme employers.	Incorrect records, incorrect benefit estimates, potentially incorrect pension benefits being paid. Scheme members access wrong information via self-service. Loss of reputation, more complaints, poor performance.	Adele Taylor	Fund under takes an annual data quality exercise. Continues to work with employers to improve data. Pro-active checks when benefits are calculated. Membership information is checked as part of year-end processing	4	2	8	Medium	Key aim of the Pension Administration Strategy is to engage employers in the use of i-Connect	Kevin Taylor Philip Boyton	March 2021	4	1	4	Low	Sep 2021

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							I m p a c t	L i k e l i h o o d	S c o r e	Level of risk				I m p a c t	L i k e l i h o o d	S c o r e	Level of risk	
PEN 005	Failure to hold personal data securely.	Operational	Poor procedures for data transfer to and from partner organisations, poor security of systems, poor data retention and disposal, poor backup and recovery of data.	Poor data, lost or compromised. Risk of fines, adverse audit reports, breaches of the law.	Adele Taylor	Database hosted off-site and backed up in 2 separate locations. Access to systems is available to a limited number of users via dual password and user identification. Data transferred is encrypted. Compliant with RBWM data protection and IT policies. No paper files all managed via image and system document generation. Confidential waste disposed of in line with RBWM policy.	4	1	4	Low	Annual audit undertaken. Staff undertake annual data protection training in line with RBWM policy.	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Sep 2021
PEN 006	Failure to make pension payments on time.	Operational	Systems not in place to ensure payments made on time.	Payments paid late and in some cases after statutory deadline. Fund open to criticism and possible fine.	Adele Taylor	Schedule of payment dates is maintained and written procedures adopted. Sufficient cover is provided to ensure payments can be made on time.	4	1	4	Low	Continual review of training needs and staff levels with succession plans developed.	Philip Boyton	Ongoing	4	1	4	Low	Sep 2021
PEN 007	Continue making payments to deceased members.	Operational	Systems not in place to ensure that payments stop at appropriate time. Fund not advised of member's death.	Payments continue to be made incorrectly at a potential cost to the Pension Fund. Distress caused to dependants.	Adele Taylor	The Fund undertakes a monthly mortality screening exercise and participates in the biennial National Fraud Initiative (NFI).	2	2	4	Low	Fund has signed up to the Information Sharing Agreement hosted by WYPF and the DWP 'Tell Us Once' service.	Philip Boyton	Ongoing	2	2	4	Low	Sep 2021
PEN 008	Unable to access pension software during normal office hours or extended hours where required.	Operational	Links to system not working, internet access denied.	Unable to carry out administrative duties for duration of outage.	Adele Taylor	Procedures in place to contact software provider's helpdesk and action plan implemented. Outage times recorded / reported.	4	1	4	Low	As part of contract consideration needs to be given to means of compensation for loss of service.	Philip Boyton	Ongoing	4	1	4	Low	Sep 2021

## Royal County of Berkshire Pension Fund – Risk Assessment Register

Ref	Risk	Risk Category	Cause	Impact	Risk owner	Controls in place to manage the risk	Current risk rating				Further actions necessary to manage the risk	Risk action owner	Date Complete	Target risk rating				Next Review Date
							Imp	Likelihood	Score	Level of risk				Imp	Likelihood	Score	Level of risk	
PEN 009	Late or non-receipt of pension contributions from Scheme employer.	Operational	Scheme employers fail to make payment of employee and employer contributions to Pension Fund within statutory deadlines.	Loss of pension investment. Employer at risk of being reported to tPR with action and fines being imposed if considered to be of material significance.	Adele Taylor	Receipt of contributions is monitored very closely. Employers chased and reminded of their statutory duties. All occurrences recorded in stewardship report. Guidance issued to scheme employers.	2	1	3	Low	Scheme employers engaging with i-Connect will automatically upload contributions to member records monthly improving reconciliation processes.	Kevin Taylor	Ongoing	2	2	4	Low	Sep 2021
PEN 010	Increased liabilities as a result of large number of early retirement cases.	Operational	Scheme employer early retirement policies.	Potential for unfunded liabilities through strain costs. Financial loss to the Fund.	Adele Taylor	The Fund monitors the incidences of early retirements closely and procedures are in place to ensure that Scheme employers are invoiced for any strain costs that arise.	1	1	2	Low	Settlement of invoices required within 21 days of issue with failures resulting in the issue of a notice of unsatisfactory performance to employer.	Kevin Taylor	Ongoing	2	2	4	Low	Sep 2021
PEN 011	Loss of key staff.	Operational	The specialist nature of the work means some staff have become experts in the LGPS regulations and investment policies.	If someone leaves or becomes ill a big knowledge gap is left behind.	Adele Taylor	In the event of a knowledge gap external consultants and independent advisors can help in the short-term.	4	2	8	Medium	Loss of key staff in 2023 has been highlighted at an early stage in order to consider appropriate succession planning.	Adele Taylor	Ongoing	2	2	4	Low	Sep 2021
PEN 012	Failure to communicate properly with stakeholders	Operational	Lack of clear communications policy and action particularly with Scheme members and employers.	Scheme members unaware of the rights and privileges the Scheme provides so make bad decisions. Employers are not aware of the regulations and their responsibilities and so data flow is poor.	Adele Taylor	The Fund has a Communication Manager and a Communications Policy. The website is maintained to high standard and all guides, factsheets and training notes are published.	4	1	4	Low	The Communication Policy continues to evolve.	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 013	Loss of office premises	Operational	Fire, bomb, flood etc.	Temporary loss of service.	Adele Taylor	A business continuity plan is in place. Systems hosted, staff can work at home.	4	1	4	Low	N/A	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2021

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							Imp	Likelihood	Score	Level of risk				Imp	Likelihood	Score	Level of risk	
PEN 014	Loss of funds through fraud.	Operational	Fraud or misappropriation of funds by an employer, agent or contractor.	Financial loss to the Fund.	Adele Taylor	The Fund is internally and externally audited to test that controls are adequate. Regulatory control reports from investment managers, custodian. Due diligence is carried out when new investment managers appointed. Fund participates in biennial National Fraud Initiative (NFI).	4	1	4	Low	Monthly spot checks are undertaken as requested by internal audit to ensure that no 'ghost' members have been added to payroll and that all payment runs have been processed appropriately.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 015	Poor management of cashflows.	Operational	Day to day cashflows not monitored effectively.	Funds not available to make pension payments.	Adele Taylor	Officers of the Pension Fund monitor cashflows on a daily basis and are aware of the payment schedules produced by payroll.	4	1	4	Low	N/A	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 016	Failure to delegate duties appropriately.	Operational	Delegation of duties not understood.	Officers fail to fulfil their delegated duties resulting in poor performance and potential loss of reputation.	Adele Taylor	Officers carry out their duties in accordance with the Administering Authority's Schedule of Delegations as contained in the Council's Constitution.	3	2	6	Low	Schedules of delegation to be reviewed for all aspects of the Pension Fund's duties.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 017	Funding Level below 100%.	Strategic	Lack of proper strategy to achieve 100% funding level. Actual investment returns fail to meet expected returns.	Fund remains underfunded and employer contribution rates increase.	Adele Taylor	Fund has published Funding Strategy Statement. Deficit recovery plan implemented following 2019 valuation. Fund regularly monitors investment returns and the Actuary provides a funding update each month.	4	2	8	Medium	Regular performance updates received from LPP I Ltd.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2021

## Royal County of Berkshire Pension Fund – Risk Assessment Register

Ref	Risk	Risk Category	Cause	Impact	Risk owner	Controls in place to manage the risk	Current risk rating				Further actions necessary to manage the risk	Risk action owner	Date Complete	Target risk rating				Next Review Date
							I m p a c t	L i k e l i h o o d	S c o r e	Level of risk				I m p a c t	L i k e l i h o o d	S c o r e	Level of risk	
PEN 018	Unstable employer contribution rates.	Strategic	Actual investment returns fail to meet expected returns.	Volatile employer contribution rates leading to Scheme employers having difficulties in setting budgets.	Adele Taylor	The Fund aims to keep employer contribution rates stable by agreeing with employers and the Actuary and appropriate deficit recovery plan.	4	1	4	Low	Funding level monitored closely.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 019	Inappropriate funding targets.	Strategic	Failure of investment strategy to deliver adequate returns.	Immediate cash injections required from employers. Increase in employer contributions.	Adele Taylor	The Fund has issued a Funding Strategy statement and Investment Strategy Statement.	3	1	3	Low	Regular performance updates received from LPP I Ltd.	Adele Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 020	Unsatisfactory investment performance	Strategic	Poor economic conditions, wrong investment strategy, poor selection of investment managers.	Poor / negative investment return, employer contribution rates increase, funding level falls, pressure on Council tax and employer costs.	Adele Taylor	Use of expert consultants in the selection of investment strategy and managers. Regular review via Investment Working Group.	2	2	4	Low	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 021	Life Expectancy risk.	Strategic	As life expectancy rises liabilities increase disproportionately.	Employer contributions rise causing upward pressure on Council Tax and employer costs.	Adele Taylor	In December 2009 the Fund entered into a longevity insurance SWAP covering its liabilities for pensioners as at 31 July 2009.	3	1	3	Low	The Pension Fund Committee continues to investigate how to protect the Fund against increasing longevity. Reviews the cost of insuring longevity risk of pensioners retired since July 2009.	Adele Taylor	Ongoing	3	1	3	Low	Sep 2021
PEN 022	Currency risk.	Strategic	Values of investments overseas are affected by unrelated changes in foreign exchange rates.	Investment returns become volatile in the medium to long-term.	Adele Taylor	In April 2012 the Fund's currency hedging policy was amended so currency exposures are managed against a strategic currency benchmark	3	1	3	Low	Regular performance updates to be received from LPP I Ltd	Adele Taylor	Ongoing	3	1	3	Low	Sep 2021

## Royal County of Berkshire Pension Fund – Risk Assessment Register

Ref	Risk	Risk Category	Cause	Impact	Risk owner	Controls in place to manage the risk	Current risk rating			Further actions necessary to manage the risk	Risk action owner	Date Complete	Target risk rating			Next Review Date
							Impact	Likelihood	Score				Impact	Likelihood	Score	
PEN 023	Interest rate risk.	Strategic	Changes in long-term interest rates affect the net present value of the Fund's liabilities.	Investment returns become volatile in the medium to long-term.	Adele Taylor	The Pension Fund Committee has considered how long-term interest rate risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations.	3	1	3	Low	Regular performance updates to be received from LPP Ltd	Ongoing	3	1	3	Sep 2021
PEN 024	Inflation risk.	Strategic	Benefits paid to Scheme members are linked (upwards only) to Consumer Price Index (CPI).	Liabilities increase disproportionately at times of high inflation.	Adele Taylor	The Pension Fund Committee has considered how long-term inflation risk can be hedged and authorised officers to investigate how this can be achieved within the constraints of the LGPS regulations.	2	1	2	Low	Regular performance updates to be received from LPP Ltd	Ongoing	4	1	4	Sep 2021
PEN 025	Inability of Scheme employers to meet their obligations.	Strategic	When a Scheme employer no longer has any active members a cessation valuation is triggered and an exit payment required if a funding deficit exists to meet future liabilities.	Failure to collect cessation payments means the cost of funding future liabilities will fall to the Fund and therefore all Scheme employers that remain in it meaning a potential increase in employer contributions.	Adele Taylor	The Pension Fund Committee has authorised officers to take appropriate steps to review employer covenants and take the necessary action to mitigate the impact that the failure of one Scheme employer can have on all other Scheme employers.	3	2	6	Medium	Annual review by the Fund Actuary to be implemented	Ongoing	3	1	3	Sep 2021



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							I m p a c t	L i k e l i h o o d	S c o r e	Level of risk				I m p a c t	L i k e l i h o o d	S c o r e	Level of risk	
PEN 027	Ability to implement the Public Sector exit cap.	Operational	Introduction of exit cap places an additional burden of the administration team.	Current changes make it impossible to apply to rules under two conflicting sets of legislation. Need to be communicated to individuals and Scheme employers. Systems will need to be adapted once revised regulations have been issued.	Adele Taylor	Currently monitoring the progress and briefings being communicated.	3	4	12	High	Awaiting issue of amended LGPS regulations in order to meet requirements of Exit Reform legislation.	Kevin Taylor Philip Boyton	Ongoing	3	4	4	High	Sep 2021
PEN 028	Reconciliation of GMP records	Operational	From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS.	GMPs no longer provided by HMRC. GMP information held by Fund could be wrong resulting in potential for liabilities being paid by Fund.	Adele Taylor	Data analysis carried out and action taken to reconcile and adjust pensions paid to retired members.	1	4	4	Low	To review GMP amounts allocated to active and deferred members.	Philip Boyton	Ongoing	1	3	3	Low	Sep 2021
PEN 029	Failure by Pension Board members to fulfil their Terms of Reference and associated protocols	Operational	Members of the Pension Board so not fulfil their statutory obligations set out in their Terms of Reference.	Failure by Pension Board members to assist the Administering Authority in securing compliance with pension legislation and requirements set out by the Pensions Regulator leading to poor governance and administration of the scheme. Dissatisfied customers, loss of reputation, risk of fine.	Adele Taylor	Training plans in place for Pension Board members.	4	1	4	Low	Annual review of Terms of Reference and regular review of training needs.	Kevin Taylor	Ongoing	4	1	4	Low	Sep 2021
PEN 030	Cyber attack	Strategic	Systems not protected from unauthorised access or being otherwise damaged or made inaccessible.	Complete breakdown of services with potential permanent loss of personal data.	Adele Taylor	Pension system provider has robust accredited solutions in place to ensure any cyber-attack can be identified and prevented.	4	2	8	Medium	Development of an overall cyber strategy to include the Fund's use of Borough systems..	Kevin Taylor Philip Boyton	Ongoing	4	1	4	Low	Sep 2021



### Independent Governance Report Actions

	Recommendation	Timeline	Progress	
1.	The size of the Pension Fund Advisory Panel should be reduced so that it only includes Councillor representatives.	October 2020	The membership of the Advisory Panel has been reduced as agreed by the Pension Fund Panel on 19 October 2020.	
2.	Training records need to be completed annually.	December 2020	A training framework and workplan was agreed by the Pension Fund Committee on 14 December 2020. Training records will be maintained for all members of the Pension Fund Committee, the Pension Fund Advisory Panel and the Pension Board.	
3.	The Pension Board membership should be reviewed to reflect the possible reduced size of the Pension Fund Advisory Panel and membership amended accordingly.	March 2021	This forms a subsequent stage of the governance review, following agreement of the governance recommendations on 19 October 2020. An initial discussion took place at the Pension Board on 20 November 2020 with further discussions on 4 March 2021. Details to be finalised at Board meeting of 27 May 2021	
4.	The membership of the Pension Fund Panel Sub-Committee (Investment Group) should be four Councillors, and its future reviewed in two years' time.	October 2020	The Pension Fund Panel Sub-Committee has been abolished.	
5.	Advisers as appointed by the Council should be entitled to attend and speak but not to vote.	October 2020	Advisers will be requested to attend and speak, but not to vote, at the Pension Fund Committee. The decision to abolish the Sub-Committee will mean that the Advisers will no longer attend these meetings.	
6.	The governance changes should be approved in line with the Council Constitution.	October 2020	The governance recommendations from the Pension Fund Panel have been agreed by the Council.	
7.	All meetings should be properly clerked and minuted, and the minutes checked prior to publication. In addition, details of all meetings should appear on the Council website with reasons why meeting items, or the meeting itself, are classified as exempt information.	October 2020	This recommendation relates only to the Sub-Committee, which has been abolished.	

	Recommendation	Timeline	Progress	
8.	The decision to approve an updated Investment Strategy Statement (ISS) should be postponed and, before the ISS is approved, it should be checked to ensure that it meets the requirement to provide a performance level that will reduce the funding deficit for the RCBPF.	Autumn 2021	Updating the ISS has been postponed. The content of the ISS will be fully reviewed. A revised ISS is not required to be approved until 2022.	
9.	Arrangements should be made to provide officer support to enable RCBPF to meet its residual direct functions post pooling.	Spring 2021	The creation of a post of Head of Pension Fund was agreed by the Pension Fund Panel on 19 October 2020. An appointment has been made effective from 1 September 2021	
10.	Discussions should take place with the Custodian, Deloitte and LPP to ensure that for those assets still within the legacy custodianship, arrangements are in place to ensure that the 2019/20 Audit runs smoothly.	March 2020	These discussions took place in March 2020.	
11.	Discussions should take place with LPP to agree timescales and processes for valuations during Accounts closure and to ensure that the agreement is formally amended to reflect these processes and timescales.	March 2020 Spring 2021	The discussions with LPP took place in March 2020.  The management agreement with LPP should be reviewed in 2021.	
12.	Discussions should take place with the legacy Custodian and other providers including the LPP Custodian to determine the most economical course of action for Custodian services for the legacy mandates.	December 2020	The Pension Fund Committee on 14 December agreed to commence a procurement exercise for the appointment of a Custodian, with the new contract to commence in Autumn 2021.	
13.	Review any arrangements RBWM has for meetings and decisions to be taken electronically. The review should include the requirement for an accurate record of how decisions are taken.	October 2020	This issue relates to the Sub-Committee which has been abolished.	
14.	Ensure that for any organisation where RBWM appoints a director or trustee that declarations of interests are completed, and that both the organisation and the individual are aware that the appointment is only for the period of time that the	October 2020	This will be implemented for any future appointments.	

	Recommendation	Timeline	Progress	
	individual is either an Officer or Member of the Council, or earlier should the Council decide.			
15.	The future model of investment advice should be one firm and one Independent Adviser to advise both the Investment Group and the Pension Fund Panel and that this advice should be procured and evaluated in a clear and transparent process.	Summer 2021	A procurement exercise will be undertaken in 2021 to appoint Independent Advisers to advise the Pension Fund Committee.	
16.	Advisers should attend both meetings but not be formal members with voting rights.	October 2020	With the decision to abolish the Sub-Committee, then the Independent Advisers will attend the Pension Fund Committee but will not have voting rights.	
17.	With regard to the longevity swap, RCBPF should put in place arrangements to review the assumptions used by the Actuary in calculating the value of the swap.	April 2020	This was undertaken as part of the closure of the Accounts for 2019/20.	
18.	RCBPF will need to review the application of any change in accounting standards.	April 2021	This will occur if and when there are any changes to accounting standards. The changes to accounting standards that were being discussed for implementation in 2020 were deferred due to the onset of Covid.	
19.	With regard to the valuation of other illiquid or non-market assets, revised arrangements should be put in place involving the Custodian, Deloitte, LPP, RBWM and RCBPF.	March 2020	Arrangements were discussed and agreed in March 2020 prior to the commencement of the Audit for 2019/20. Obtaining valuations for illiquid assets as at 31 March 2020 was severely impacted by the onset of covid.	
20.	RCBPF should arrange a meeting with LPP and Deloitte to ensure that responsibilities are clear for the 2019/20 Audit. This could be held at the same time as the meeting above.	March 2020	This meeting was held in March 2020.	
21.	The Pension Fund Committee should receive the External Audit report in respect of the RCBPF.	March 2021	The External Audit report will be presented to the Pension Fund Committee on 20 September 2021.	

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SHARED AUDIT AND INVESTIGATION SERVICE

**INTERNAL AUDIT REPORT (9508)**

**Pensions Payroll and  
Administration  
2020/21**

**Resources Directorate**

**Report Distribution**

<b>Name</b>	<b>Title</b>
Philip Boyton	Pension Administration Manager
Kevin Taylor	Pension Service Manager
Adele Taylor	Director of Resources and Section 151 Officer
Andrew Vallance	Head of Finance and Deputy Section 151 Officer
Steve Mappley	Insurance and Risk Manager
Aron Kleiman, Deloitte LLP	External Audit
Jonathan Gooding, Deloitte LLP	External Audit

**Auditors**

Sheldon Hall – Audit and Investigation Specialist  
Peter Butterfield - Audit and Investigation Specialist

**Report Approved by**

Catherine Hickman, Lead Specialist – Audit and Investigation

## 1. INTRODUCTION

- 1.1 This audit has been undertaken as part of the approved Annual Internal Audit Plan 2020/21, in accordance with the:
- Audit Charter
  - Audit Protocol
  - Agreed Terms of Reference previously issued.
- 1.2 The format of this report is based on the Lean Systems Thinking Methodology. Management is asked to specify and explain the countermeasure to the concerns raised, as detailed in the Management Action Plan.

## 2. EXECUTIVE SUMMARY & CONCLUSIONS

### AUDIT OPINION

Based upon our review of the controls in place for Pension Payroll and Administration, we have concluded that controls are:

#### **Complete and Effective (Highest audit opinion)**

- All necessary Treatment Measures are in place and are operating effectively.
- Residual risks have been reduced to an acceptable level
- There are no unacceptable financial implications.
- Concerns reported are minor.

(Risk management processes are strong and controls are adequate and effective).

- 2.1 The principal objective of this Audit was to conclude whether controls in place for Pensions Payroll and Administration are operating effectively and risks are minimised through proper and adequate control measures. This was achieved by undertaking audit work as per the Internal Audit Terms of Reference in the following areas:
- Roles and responsibilities
  - Adherence to policies and procedures
  - Administrative controls between administration and payroll systems
  - Payment authorisation process
  - Reconciliations
  - Management reviews of:-
    - pension fund transfers
    - pensions and benefits calculations
    - pensions masterfile
    - capital costs
    - suspensions and write offs
  - Maintenance of files and retention of documentation
  - Computer security.
- 2.2 There are current policies and procedures and a clear organisational structure with defined roles and responsibilities in place for the Pension Service. Our sample testing found sound controls in the administration and payroll processes, with payments to



beneficiaries correctly calculated and properly authorised including management reviews to ensure compliance. Areas where there are opportunities to improve include:-

- Reporting reasons when key initiatives detailed in the service's Business Plan are not achieved, to Council Members (Pension Fund Panel).
- Ensuring the reconciliation between the pensions payroll and general ledger is promptly undertaken.
- Updating of document retention details.

2.3 There are 4 concerns identified in this Audit Report, all of which are classified as being moderate concerns of which 3 have been addressed between draft report stage and final report stage. This has resulted in the audit opinion being re-assessed to the highest category. There are no extreme or major concerns, and 3 minor concerns were discussed at the exit meeting.

## Audit Opinion

*The opinion stated in the audit report provides management with a brief objective assessment of the status of current Treatment Measures which have been put in place to reduce identified risks to the operation or strategy under review. It is not a statement of fact.*

*In reaching the Audit Opinion for this audit, the majority of the criteria for the relevant definition apply.*

<b>AUDIT OPINION DEFINITIONS</b>
<p><b>Complete and Effective</b></p> <ul style="list-style-type: none"> <li>• All necessary Treatment Measures are in place and are operating effectively.</li> <li>• Residual risks have been reduced to an acceptable level</li> <li>• There are no unacceptable financial implications.</li> <li>• Concerns reported are minor.</li> </ul> <p>(Risk management processes are strong and controls are adequate and effective).</p>
<p><b>Substantially Complete and Generally Effective</b></p> <ul style="list-style-type: none"> <li>• Most key Treatment Measures are in place and these operate effectively.</li> <li>• The majority of residual risks have been reduced to an acceptable level.</li> <li>• There are a small number of unacceptable financial implications.</li> <li>• The majority of concerns are of a predominately moderate impact/likelihood.</li> </ul> <p>(Risk management processes are good and controls are adequate although only partially effective).</p>
<p><b>Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated</b></p> <ul style="list-style-type: none"> <li>• Not all key Treatment Measures are in place and / or do not operate effectively</li> <li>• Residual risks have not all been reduced to an acceptable level</li> <li>• There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.</li> <li>• There are a number of concerns that are predominantly of a major impact/likelihood.</li> </ul> <p>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</p>
<p><b>There is no effective Risk Management process in place</b></p> <ul style="list-style-type: none"> <li>• There are no appropriate Treatment Measures in place.</li> <li>• Residual risks remain at an unacceptable level</li> <li>• Reported concerns are predominantly of a catastrophic or major impact/likelihood.</li> </ul> <p>(Risk management processes and controls are weak).</p>

## Management Action Plan

### Pensions Payroll and Administration – 2020-21

Ref	Concern	Risk	Finding	Treat	Tolerate	Transfer	Terminat	Counter Measure Action / Explanation	Responsible Officer	Target Date
1	Governance is weakened when reasons are not given as to why key initiatives within the services Business Plan have not been achieved by the stated target date.	Moderate	The Business Plan 2020/21 submitted to Council Members (Pension Fund Panel) in March 2019 included in section 9 key initiatives: <i>'to apply for Pensions Administration Standards Association (PASA) accreditation will be completed by 21/3/2021'</i> . This has not been progressed and is part of the new Business Plan included in the Medium Term Plan 2022/2025 with a completion date of 31/3/2024. However, there was no reason given why the PASA accreditation target of 31/3/2021 has not been achieve	<input checked="" type="checkbox"/>				The contributing factors to not achieving the accreditation were continuing GMP reconciliation in respect of active and deferred scheme members, continued training of team members (the desktop procedures already in place under PASA accreditation have been positively received by the Trainee Pension Administrators) and needing to adapt to new ways of working caused by Covid that has included new ways of delivering training to team members.	Philip Boyton Pension Administration Manager	31/3/2024
2	There is a risk that records could be inappropriately amended, leading to a possible financial risk to the Pension Fund	Moderate	The user access level investments include the facility for the user to amend certain areas, such as; <i>'Previous Member'</i> , <i>'Dependant Creation'</i> and <i>'documents'</i> . As	<input checked="" type="checkbox"/>				As of the 19 April 2021 the access rights were changed of user <i>'INVEST'</i> . An e-mail was sent to audit on 19/4/21 attaching a .pdf document of the access rights of User	Philip Boyton Pension Administration Manager	19/4/2021

	through non-compliance with Data Protection legislation and/or fraud.		this user level is set up for an accountant, it may be inappropriate that the user has amend access level.					'INVEST'.		
3	Where the market value reconciliations are not promptly undertaken and reviewed, there could be a delay in identifying deliberate/accidental errors that may lead to increased costs and/or losses.  In addition, the fundamental internal control of reconciliations will not be in place which may lead to a qualified external audit opinion.	Moderate	The monthly market value reconciliations sampled for the period August 2020 to January 2021 found that 4 out of 6 reconciliations were not promptly undertaken.	<input checked="" type="checkbox"/>				This issue has arisen this year as a direct result of a) a change in pension fund accountant at the start of the financial year and b) the coronavirus pandemic. Both attributed to delays in completing reconciliations. Actions are now being taken to ensure that such reconciliations are undertaken in a more timely manner.	Kevin Taylor Pension Services Manager	24/05/21
4	Where there is out of date information/details, there is risk of working to out date Retention and Disposal policies leading to non-compliant decisions and/or actions being taken. In addition, there is greater risk of a GDPR breach resulting in a potential financial penalty and reputational loss.	Moderate	Details shown on the header part of the Retention and Disposal Schedule contains out of date information (Name, address, email and telephone number of the Data Protection Officer).  In addition, the column "Name and contact details of joint controller (if applicable)" is incomplete with questions asked within it.	<input checked="" type="checkbox"/>				This has since been updated as part of my meeting with and with guidance from the RBWM Data Protection Team during January 2021.	Philip Boyton Pension Administration Manager	19/5/2021



## Royal County of Berkshire Pension Fund

Planning report to the Audit Committee for the year ended 31 March 2021

Issued 23 July 2021 for the meeting on 29 July 2021

**Deloitte Confidential: Government and Public Services – For Approved External Use Only**

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# Introduction

## The key messages in this report:

We have pleasure in presenting our Planning Report to the Audit Committee (“the Committee”) for the 2021 audit of the Royal County of Berkshire Pension Fund (“the Fund”). We would like to draw your attention to the key messages of this paper:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

### Scope

Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Fund prepared under the Code of Practice on Local Authority Accounting (“the Code”) issued by CIPFA and LASAAC. We will be performing procedures to inform an opinion on the Fund accounts, which form part of the Council’s Statement of Accounts, and we will be performing procedures to inform an opinion on the consistency between those financial statements and the Pension Fund Annual report.

Additionally, we perform IAS19 procedures to support the local authority's audit of the pension liability in its statement of accounts.

### Status of our 2020 audit

At the date of issue of this report, our audit of the pension Fund for the year ended 31 March 2020 is nearing completion and our final audit report for the 2020 audit was presented to you for consideration at the meeting on 17 May 2021. The audit opinion for 2020 can be signed on completion of the following points:

- Update of our subsequent events and going concern procedures; and
- Receipt of the signed representation letter.

### Audit Quality

Our audit approach is tailored to providing the Audit Committee with an audit which is designed to provide assurance and insight over the Fund control environment.

Our audit quality is managed by using dedicated pension scheme audit specialists within the team. This is supplemented by our IT teams, actuarial specialists and longevity swap valuation specialists. This structure allows us to challenge key judgements taken in the preparation of the financial statements.

We plan and deliver an audit that raises findings early with those charged with governance. This is underpinned by mutually agreed timetables, detailed audit request lists and frequent communications with management and the Audit Committee.

# Introduction (continued)

## The key messages in this report:

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### Key developments

As part of our audit planning procedures to date, we have held planning meetings with key members of management to develop our understanding. The key developments are:

Across the year under audit, coronavirus (COVID-19) and Brexit have continued to cause disruption and volatility to financial markets. In line with the 2019/20 financial year, we will expect a discussion with management to assess the going concern of the Fund including the continuing impact of COVID-19 and impact of UK leaving the European Union.

We have reviewed each of the key account balances as part of our 2021 risk assessment. The uncertainty in the property market has subsided and as a result we do not expect their to be a material uncertainty in the valuation of the pooled funds.

Operationally we expect to complete the 2021 audit remotely and have discussed this approach with the Fund's management. We will remain alert that controls may be operating differently throughout our audit.

We will be using our Deloitte portal for the secure transfer of audit information and have compiled a detailed schedule of information required as part of the audit. In addition, we will utilise Microsoft Teams to hold video calls to update our process documentation and will utilise the functionality to share screens and inspect audit information. We have good experience of delivering audits remotely and are fully prepared to react and adapt to COVID-19 restrictions.

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### Significant audit risks

As we continue to accumulate knowledge of the Fund we have developed our risk assessment so that our plan reflects those areas which we believe have a greater chance of leading to material misstatement of the financial statements.

Based on procedures performed to date, we summarise below the areas of significant audit risk we have so far identified, these may be subject to change following completion of our remaining planning work. We will update the Committee on any changes to our risk assessment at the next meeting. The significant risks currently identified are:

- Management override of controls; and
- Valuation of the longevity swap.

Auditing Standards include a presumption that management override of controls and revenue recognition are significant risks for all our audits.

We have rebutted the presumption of risk of fraud in revenue recognition for the Fund, as we consider that there is little incentive or opportunity for revenue (including investment income, transfers and contributions) to be fraudulently misstated and therefore there is limited risk of material misstatement arising due to fraud in this area.

Please refer to pages 12 and 13 for full details.

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# Introduction (continued)

## The key messages in this report:

### Significant issues identified last year

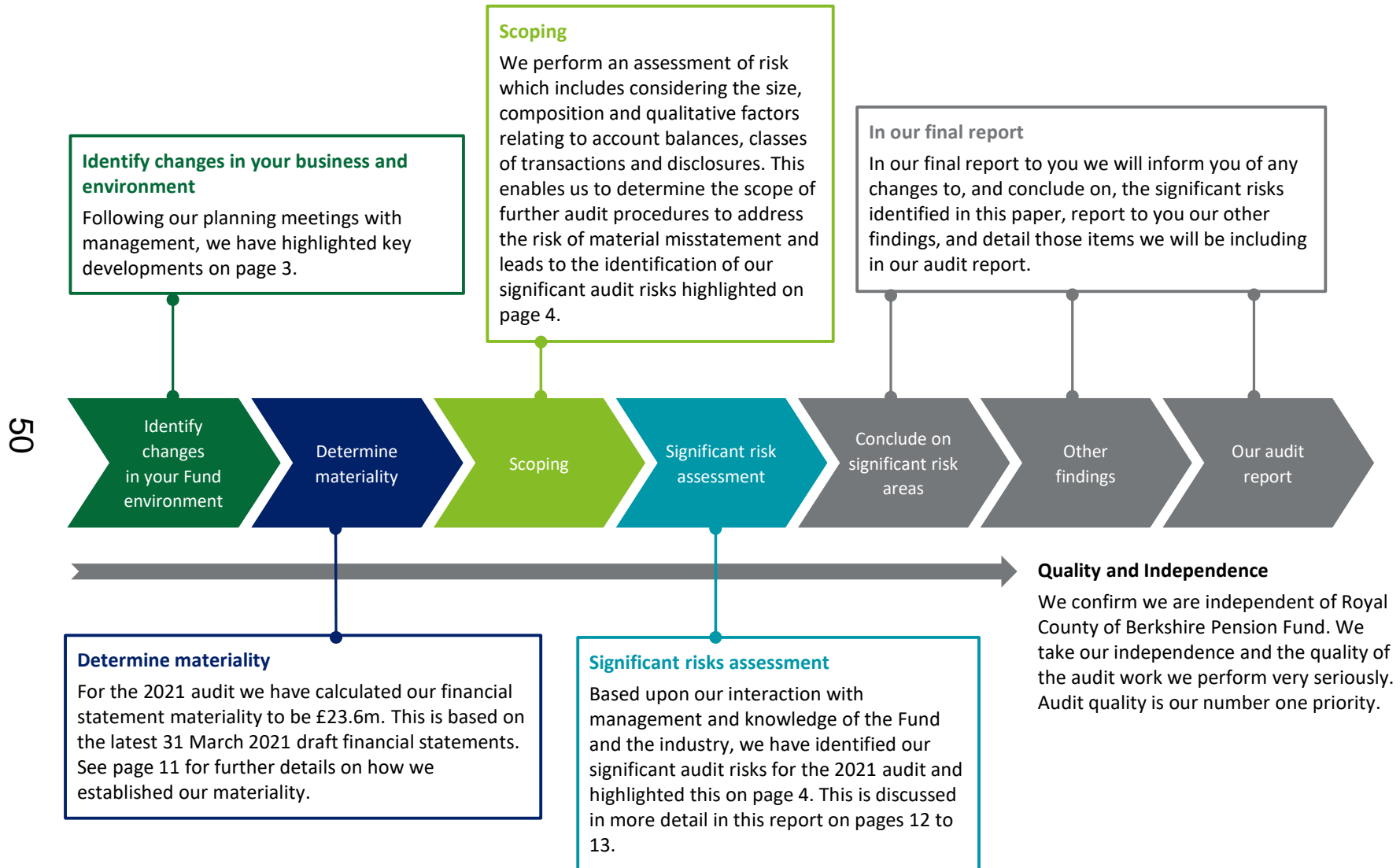
In our 2020 final audit report, we noted the following significant issues:

- A material error of £31.5m in the value of alternative funds arising from the absence of a controls to determine the valuation of stale price funds and to update the financial statements if new information came to light. We recommended that the Fund ensures controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used and that material changes to the investment balances are reflected in the financial statements;
- In our final report on the 2019 audit, we recommended that the Authority ensures that the longevity swap valuations provided by the actuary are reviewed and that the assumptions are understood and agreed before inclusion in the financial statements. Procedures performed during our 2020 audit revealed that, while the longevity swap valuation had been discussed with Barnett Waddingham, there was no formal control design documented and no recorded evidence of implementation of the control. We recommended that evidence of this review and assessment is clearly documented;
- We noted that administration system super-users have the access rights to edit their own member records and those of each other. Whilst any editing of the system can be reviewed, there is no formal review of this editing activity and no evidence was available of any other mitigating controls. We recommended that the IT system is updated to prevent super-users from editing their own records, that any editing of each other's records is checked by a third person, and that an annual review of the system audit report is conducted to ensure that this control is being implemented and evidenced;
- The Fund made an overnight loan to the Authority on the 27 June 2019 of £1.2m. The amount was returned to the Fund in full on the 28 June 2019. We recommended that the Fund does not enter into similar transactions in the future, at least not without appropriate consideration by those charged with governance and a breach has been reported to the Pensions Regulator;
- The design of the control for review of the financial statements did not include checking the draft statements to the underlying workings, nor was there evidence of formal review of this. We recommended that the design of the financial statement review control is amended to include checking to underlying working papers, the completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process; and
- The design of the control for review of journal postings does not include a formal description of the review process. There was no clear evidence available that a review took place through testing performed. We recommended that the design of the journal posting review control is amended to include a well defined scope. We also recommended that this amendment is communicated clearly to all those involved in the preparation and review process, and takes place in a timely manner before journals are posted to the accounting system.

The Fund's response to the above findings will be reviewed as part of this year's audit work.

# Our audit explained

We tailor our audit to your fund:

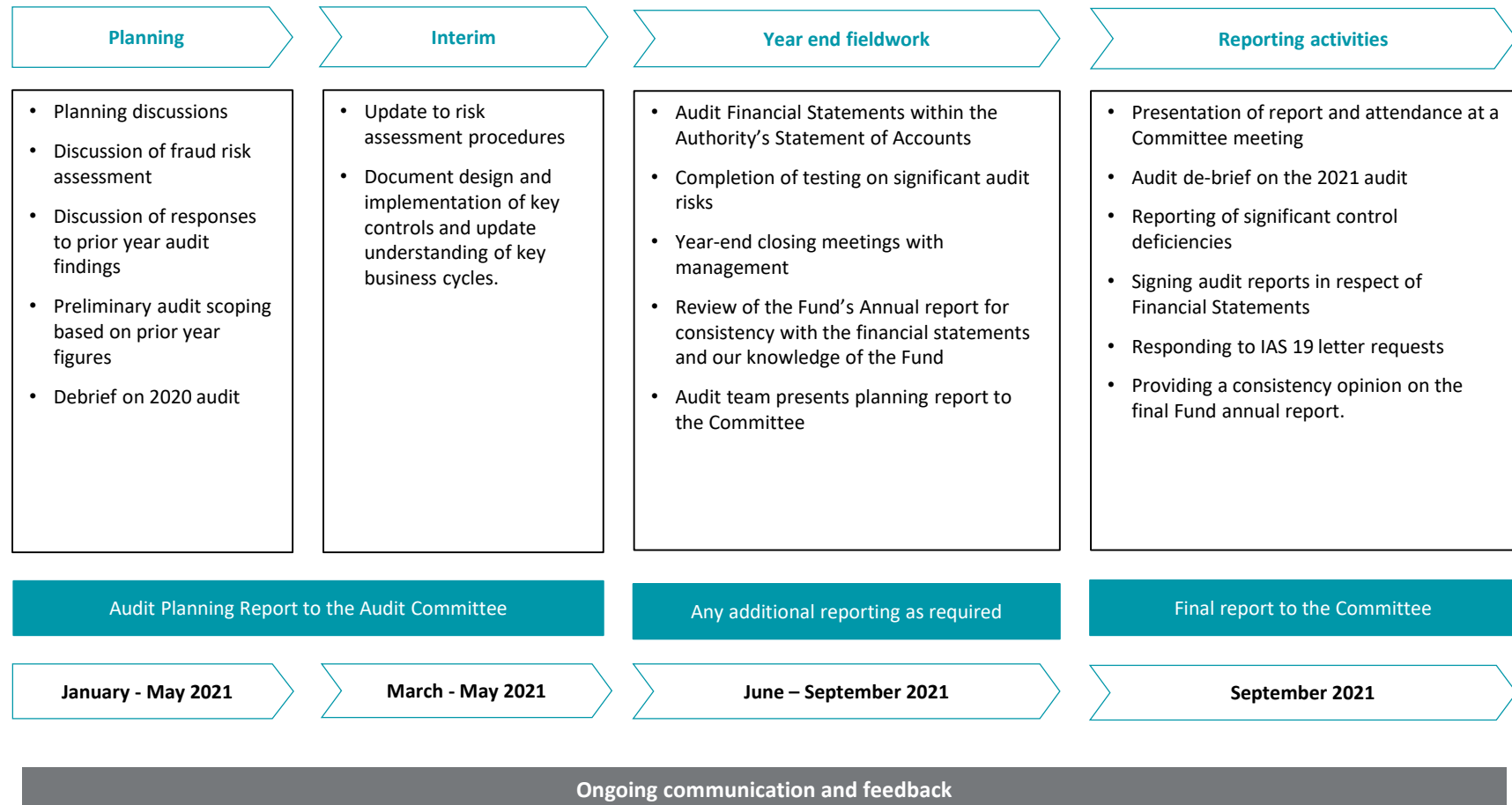


# Continuous communication and reporting

## Planned timing of the audit:

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn and initial comments from the interim and final visits will be shared with management as required. The following sets out the expected timing of our reporting to and communication with you.

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# Impact of COVID-19 on our audit

## Covid-19 outbreak - How is Deloitte responding?:

Deloitte have continued to monitor and manage our response to the COVID-19 situation in order to be able to respond as necessary. The health and safety of our people is paramount, but we are doing our utmost to ensure we can complete audits to required timetables. We summarise below how we are responding.

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### Impact on our audit and our response

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We have Business Continuity Plan ('BCP') arrangements which align to ISO 22301. Our BCP for the firm has been enacted to consider and mitigate the impact of COVID-19 across our operations. The health and safety of our people and those we work with comes first. This includes the provision of advice and support to staff and associates, development of response plans, and upgrades to our IT infrastructure to increase capacity for secure remote working.

We are in regular contact with regulators as well as other Deloitte Member Firms to co-ordinate and understand the impact locally so we can execute global audits.

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We have the capability to work remotely with our audited entities, utilising a number of collaboration tools, including Deloitte Connect (a tool that facilitates secure two-way dialogue between the Deloitte team and management to effectively manage engagement co-ordination) and MS Teams allowing us to collaborate and supervise activities.

We have adequate server capacity for all our people to work remotely and technological infrastructure such as Deloitte Connect that we have already been using with officers.

# Impact of COVID-19 on our audit (continued)

## COVID-19 outbreak - Impact on our audit

The first table below reflects some general considerations. The second table reflects some impacts specific to the local government context and how the Fund plans to respond to this.

Impact on the Fund	Impact on the Fund's Statement of Accounts	Impact on our audit
<ul style="list-style-type: none"> <li>Unavailability of personnel.</li> <li>Increase in demand for some services and challenges in delivering such services</li> </ul>	<ul style="list-style-type: none"> <li>Principal risk disclosures</li> <li>Fair value measurements based on unobservable inputs</li> <li>Changes to the fair value hierarchy disclosure of some investments</li> <li>Events after the end of the reporting period</li> <li>Consider the impact on the Fund's going concern assessment and consider the need to enhance disclosures with respect to going concern</li> </ul>	<ul style="list-style-type: none"> <li>Focus on key areas of material change and uncertainty</li> <li>We will review the Fund's going concern assessment and consider the adequacy of disclosures in the annual report and accounts with regards to going concern</li> </ul>

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Specific changes impacting local government and how the Fund audit plan will respond (bold text)	
<p>The publication date for final, audited, accounts has moved from 31 July to 30 September 2021 for all local authority bodies.</p> <p><b>Discussions with management indicated the need to defer the original audit scheduling which aimed for the majority of work to be completed in July 2021.</b></p> <p><b>This plan also assumes that third party reports such as the pension report from the actuary and investment manager reports are made available within this timeframe.</b></p> <p>There will be disclosure requirements related to the impact of COVID-19.</p> <p><b>Management are aware of this. We will evaluate the disclosures made by officers to determine whether they comply with the relevant disclosure requirements.</b></p>	<p>Audit is to be conducted remotely.</p> <p><b>Our team will be using technology such as Microsoft Teams to facilitate the delivery of the audit whilst working remotely. We have an established practice with the finance team of transacting information over Deloitte Connect, our secure information storage portal, from last year's audit where we used this tool.</b></p> <p>Potentially heightened risks of fraud.</p> <p><b>The team have received extra training and will maintain professional scepticism. Management should also consider any gaps in the control framework under the current circumstances giving greater rise to fraud risk.</b></p> <p>There may be material uncertainties to disclose in regard to property and other asset valuations.</p> <p><b>We will evaluate this once the final valuation reports are provided.</b></p>

# Scope of work and approach

## Our approach:

### **Liaison with internal audit**

The Auditing Standards Committee's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

### **Approach to controls testing**

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### **Promoting high quality reporting to stakeholders**

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Fund completes the Code checklist during drafting of their financial statements.

# Materiality

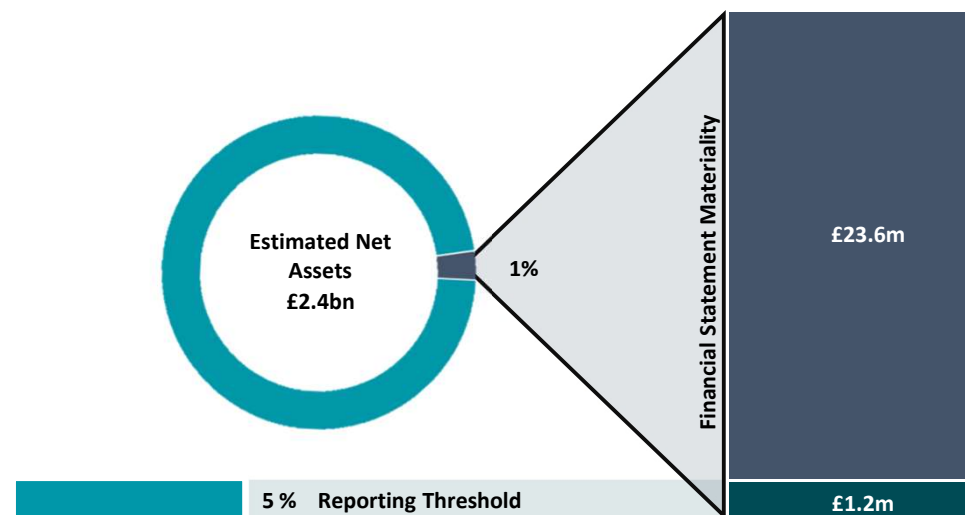
## Our approach to materiality:

### Basis of our materiality benchmark

- We have estimated financial statement materiality as £23.6m based on professional judgement, the requirement of auditing standards, and the net assets of the Fund. As we complete our remaining planning procedures, we will consider further, together with the Royal Borough of Windsor and Maidenhead audit team, whether any adjustment is required to the level of materiality applied to the Fund. If any changes are made to our assessment of materiality we will communicate those to the Audit Committee.
- We will apply a factor of 1% (compared with 1% for the 2020 audit) to the selected benchmark of Fund net assets. We have used the draft net assets value as at 31 March 2021 as per the latest draft financial statements provided for our testing.

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of 5% of materiality, we will report to you misstatements below this threshold if we consider them to be material by nature.
- We will review materiality across our 2021 audit, and report any changes to those charged with governance in our subsequent audit reports.
- Materiality calculation: Although materiality is the judgement of the audit partner, the Committee members must be satisfied the level of materiality chosen is appropriate for the scope of the audit.



# Significant Risks

## Management override of controls:

### **Risk identified**

In accordance with ISA 240 (UK) management override is always a significant risk for financial statement audits. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

### **Deloitte response management override of controls risk identified**

In order to address the significant risk our audit procedures will consist of the following:

- Use Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted by the Fund. This uses intelligent algorithms that identify higher risk and unusual items;
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Perform a walkthrough of the financial reporting process to identify the controls over journal entries and other adjustments posted in the preparation of the financial statements;
- Test the design and implementation of controls around the journals process and investment and disinvestment of cash during the year;
- Review of related party transactions and balances to identify if any inappropriate transactions have taken place;
- Review the accounting estimates for bias, that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management; and
- We will consider whether the conditions resulting from COVID-19 impact the level of risk associated with potential frauds and adjust our procedures accordingly.

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## Significant Risks (continued)

### Valuation of the longevity swap:

#### **Risk identified**

The Fund holds a material longevity swap to hedge longevity risk. A longevity swap is designed to insure the Fund against the risk that pensioners live longer than the current mortality assumptions. Valuation of longevity swaps are sensitive to relatively small movements in the key assumptions used in the actuarial calculations. The setting of these assumptions involves judgement. Based on last year's draft financial statements the value was (£123.9m) and we expect the value to be material in size this year.

As a result of this we consider the valuation of the longevity swap to be a significant risk.

#### **Deloitte response to the risk identified**

In order to address this area of significant audit risk, we will perform the following audit procedures:

- Perform an assessment of the actuarial expert in respect of their knowledge and experience in this area;
- Test the design and implementation of the key controls with respect to the valuation of the longevity swap;
- Obtain a valuation report directly from the actuary and reconcile this to the financial statements disclosure;
- Review the underlying documentation for the policy, including the population covered, the assumptions and other key inputs used in the calculation, and the agreed cash flows;
- Engage in-house actuarial specialists to challenge and assess the reasonableness of the valuation of the policy based on the underlying terms of the contract and the forecast cash flows; and
- Compare our expectation of the value with that reported by the actuary, investigating any differences identified that are outside the range of results that we consider to be reasonable.

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties:

## What we report

Our respective responsibilities are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies." The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the NAO Code of Audit Practice. The responsibilities of audited bodies are derived principally the Local Audit and Accountability Act 2014 and from the Accounts and Audit Regulations 2015.

Our report is designed to communicate our preliminary audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our preliminary audit plan, including key audit judgements and the planned scope.

## Use of this report

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

## What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Fund.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

## Other relevant communications

We will update you if there are any significant changes to the audit plan.



**Jonathan Gooding**

for and on behalf of Deloitte LLP

St Albans | 23 July 2021

# Appendix 1: Fraud responsibilities and representations

## Responsibilities explained:



### Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and the Committee, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the management override of controls and the valuation of the longevity swap as the key audit risks for the Fund.



### Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter signed on behalf of the Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

# Appendix 1: Fraud responsibilities and representations

## Inquiries:

We will make the following inquiries regarding fraud:



### Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to the Committee regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

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### Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



### The Committee

- How the Committee exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether the Committee has knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of the Committee on the most significant fraud risk factors affecting the entity.

## Appendix 2: Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

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Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund and will reconfirm our independence and objectivity to the Committee for the year ended 31 March 2021 in our final report to the Committee.
Fees	<p>The audit scale fee for the year ended 31 March 2021 is £19,120 however this is subject to change. In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers, we are in discussion with the Fund regarding the current level of fee which we deem to be too low given the size and complexity of the body.</p> <p>Our fees for issuing IAS 19 assurance letters to other auditors in respect of participating employers are not included in the above audit fee. We have estimated a fee of £2,500 per letter, which totals £15,000 for our 2021 audit.</p> <p>The above fees exclude VAT and include out of pocket expenses.</p>
Non-audit fees	<p>In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Fund's policy for the supply of non-audit services or any apparent breach of that policy.</p> <p>We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.</p>
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Ethical Standard 2019	The FRC has released the Ethical Standard 2019. The standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are more than 10,000 members. As a result, non audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

## Appendix 3: Our approach to quality

### Responding to challenges in the current audit market:

This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

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The role of audit	<ul style="list-style-type: none"><li>Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability)</li><li>Deloitte fully supports an independent review into the role of auditors</li><li>The Government's Brydon Review will consider UK audit standards and how audits should evolve</li></ul>
Would it be better to have audit only firms?	<ul style="list-style-type: none"><li>Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit</li><li>Our investment in audit innovation, training and technology is greater because of the multidisciplinary model</li></ul>
Is the current audit market uncompetitive?	<ul style="list-style-type: none"><li>We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholders</li><li>There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering</li><li>The audit profession has engaged with the Competition and Markets Authority with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies</li></ul>
Independence and conflicts from other services	<ul style="list-style-type: none"><li>Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clients</li><li>Deloitte invests heavily in systems, processes and people to check for potential conflicts</li><li>We have governance in place to assess any areas of potential conflict, including where required to protect the public interest</li><li>Fees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)</li></ul>
Deloitte	<ul style="list-style-type: none"><li>Deloitte and Audit Service Line leadership are happy to meet the Board and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interest</li><li>Our Impact Report and Transparency Report are available on our website <a href="https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html">https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html</a></li><li>Our response to the latest AQR report is on page 19.</li></ul>

## Appendix 3: Our approach to quality

### AQR team report and findings:

Audit quality remains our number one priority and we have a relentless commitment to it. We continue to invest in and enhance our Audit Quality Monitoring and Measuring programme.

In July 2020 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2019/20 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

We are pleased with our results for the inspections of FTSE 350 entities achieving 90% assessed as good or needing limited improvement, which included some of our highest risk audits. Our objective is for 100% of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions.

We are also pleased to see the impact of our previous actions on prior year adjustments is reflected in the results of current year inspections with no findings in this areas. In addition the FRC identified good practice examples including in: risk assessment, group oversight, our comprehensive IFRS9 expected credit loss audit programme and our audit committee reporting.

Embedding a culture of challenge in our audit practice underpins the key pillars of our audit strategy. We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

#### **The AQR’s 2019/20 Audit Quality Inspection Report on Deloitte LLP**

We reviewed 17 individual audits this year and assessed 13 (76%) as requiring no more than limited improvements. Of the 10 FTSE 350 audits we reviewed this year, we assessed nine (90%) as achieving this standard.

We have highlighted in this report aspects of firm-wide procedures which should be improved, including strengthening the monitoring of the firm’s audit quality initiatives.

#### **Our key findings related principally to the need to:**

- Improve the extent of challenge over cash flow forecasts in relation to the impairment of goodwill and other assets.
- Enhance the effectiveness of substantive analytical review and other testing for revenue.
- Improve the assessment and extent of challenge regarding management’s estimates, particularly for model testing.

#### **The firm has taken steps to address the key findings in our 2019 public reports, with actions that included focused training and standardising the firm’s audit work programmes.**

We have identified improvements, for example in the audit of potential prior year adjustments and related disclosures, a key finding last year. We also identified good practice in a number of areas of the audits we reviewed (including effective group oversight and robust risk assessment) and in the firm-wide procedures (including the firm’s milestone programme, with expected dates for the phasing of the audit monitored by the firm).



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## Action Plan for issues identified on the ISA260 for RCBPF 2019/20 Statement of Accounts

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
	<b>CONTROL OBSERVATIONS</b>					
1.	<b>Valuation of the longevity swap:</b>	This is a significant control weakness and we recommend that the Authority ensures that the valuations provided by the actuary are reviewed and that the assumptions are challenged, understood, and agreed before inclusion of the valuation in the financial statements. We recommend that evidence of this review and assessment is clearly documented.	An independent actuarial valuation of the longevity swap to be obtained each year. The method of conducting this valuation will be discussed and agreed with the actuary in advance of the valuation.	Ongoing	Head of Pension Fund	Will show as a control observation in the 2020/21 ISA260 report.
2.	<b>Valuation of the convertible bond</b>	We recommend that the Committee ensures that the valuation of all bespoke investments is understood by the investment manager before completion of the draft financial statements, and that controls are implemented to ensure an appropriate challenge is made of valuations received from any service organisation. We recommend that evidence of	The convertible bond converted to an equity investment during 2020/21. Historic bespoke investments will remain until such time as it becomes viable for them to be terminated. LPPI as investment manager monitors this closely.	Ongoing	Head of Pension Fund	The issue of the convertible will not arise again although until such time as the legacy assets have been pooled issues surrounding so-called bespoke investments may recur.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		this review and assessment is clearly documented.				
3.	<b>Valuation of the private equity portfolio and other alternative funds</b>	We recommend that the Fund continues to review the terms and conditions of its relationship with all investment service providers and takes steps to ensure that controls are in place such that the most recent audited financial statements of each fund, along with the regular capital valuation statements and any evidence of any capital transactions are received and regularly reviewed in a timely fashion. We recommend that the Fund also ensures that controls within the financial reporting process are implemented such that the best estimate of the fair value of investments is used in the draft financial statements and that material changes to the investment balances that come to light before signing are reflected in the financial statements. Where the Fund does not have the appropriate resource within	LPPI, as the investment manager for the Fund, maintains an ongoing relationship with all of the individual investment managers. The latest available valuations are included in the pension fund accounts. Problems arose with the preparation of the accounts during 2020/21 due to the impact of the covid pandemic resulting in a sudden fall in asset valuations at the end of March 2020. This situation is not expected to recur.	31 May 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		its staff, it should provide clear instructions to LPP or the custodian to perform the processes and controls required.				
4.	<b>Retrospective review of investment decision making</b>	In our final report on the 2019 audit we also recommended that the Fund perform a review of the arrangements around pension asset investment decision making, monitoring and reporting of the valuation of those investments. This was to include an historic review of the arrangements with respect to the specific assets that were adjusted significantly to identify the lessons that can be learned and to embed this learning into the new arrangements. The outcome from these reviews was to be reported to both the Corporate Oversight & Scrutiny Panel and the Pension Fund Panel. We note that the scope of the work did include these considerations and that the final report was provided to the Authority in July 2020.	The governance of the Pension Fund was restructured in October 2020. All decisions are the responsibility of the Pension Fund Committee. If an urgent decision is required then responsibility is delegated to the Executive Director of Resources.	31 May 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
5.	<b>Review of financial statements</b>	We recommend that the design of the financial statement review control is amended to include checking to underlying working papers, the completion of a full CIPFA checklist, and is communicated clearly to all those involved in the preparation and review process. The implementation of the control should be evidenced appropriately and this evidence should be retained for a sufficient period.	Financial statements are now completed in line with the CIPFA checklist.	31 May 2021	Head of Pension Fund	Not applicable.
6.	<b>Review of journals</b>	We recommend that the design of the journal posting review control is amended to include a well-defined scope, for example a checklist. We also recommend that it is communicated clearly to all those involved in the preparation and review process and takes place in a timely manner before journals are posted to the accounting system. The implementation of the control should be evidenced appropriately and	A Borough project plan has been developed to improve the process of journal posting and approval.	31 March 2022	Head of Pension Fund	Will show as a control observation in the 2020/21 ISA260 report.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		this evidence should be retained for a sufficient period.				
7.	<b>Administration system editing rights</b>	We recommend that the IT system is updated to prevent super-users from editing their own records, that any editing of each other's records is checked by a third person, and that an annual review of the system audit report is conducted to ensure that this control is being implemented and evidenced.	<p>The system used, altair, is maintained by a third party provider, Heywood. The majority of Local Authority Pension Funds use this system and so any system amendments have to be agreed across all system users. Procedures are being developed to ensure super-users do not amend their own records and that where amendments are made to super user records, a third independent person will review. The same person will undertake an annual review of the system audit file to check that all instances of super-user record access are within required controls.</p> <p>With specific regard to the prevention of 'Super-users' editing their own records it would be necessary to liaise with the Fund's heywood Client Manager. Actions</p>	31 August 2021	Head of Pension Fund	Subject to ongoing conversations with system provider.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
			are under consideration as to the possibility of using a 'User Specific Filter' facility where super-users' own NI Numbers could be added so that records access to their own records is set to 'Read Only'.			
8.	<b>No evidence of authorisation for overnight loan prior to payment</b>	We recommend that the Fund implements a control to record and review the rationale for all transactions outside the normal course of business, including consideration of any relevant laws, regulations and conflicts of interest. We also recommend that sufficient appropriate evidence is retained, demonstrating that the control has operated for all such transactions.	This matter has been reported to the Pensions Regulator.	May 2021	Head of Pension Fund	Not applicable.
9.	<b>Separation of the Fund from the Authority</b>	We recommend that the general ledgers of both entities are maintained in isolation. We also recommend that formal documentation is prepared by the Authority to request payments from the Fund, and that this is reviewed by the	A project plan is in place for the Pension Fund to have its own ledger account.	1 April 2022.	Head of Finance	Will show as a control observation in the 2020/21 ISA260 report.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		Fund before payments are made. Furthermore, sufficient appropriate evidence should be retained demonstrating that the control has operated for all such transactions				
10.	<b>Benefit calculations</b>	We recommend that a formal record is retained of the points checked by the reviewer of benefit calculations, that a periodic review of the calculations produced by the benefits system is scheduled and carried out by a suitably qualified person and that contingencies are put in place to ensure benefits controls continue to operate in the event of personnel absences.	As a direct result of the Coronavirus pandemic the process of reviewing and checking inputs has successfully become driven by altair Task Management without the need to print Benefit Summary Documents and Letters. There is not an over reliance on the system, those processing the work and those checking are able to manually check the system output and flag any potential inaccuracies in the system output with the Technical Analyst and Assistant Technical Analyst. Those responsible for checking are knowledgeable in the areas they are responsible for checking.	Ongoing	Head of Pension Fund	Subject to ongoing conversations with system provider.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
			<p>It is acknowledged there was a key period of absence during the year and efforts will continue to be made to build greater resilience into processing all areas of administration and payroll.</p> <p>Altair includes a reportable workflow management system that identifies the stages of an administration process and the user who undertook the relevant task. Heywood, as the system provider, maintains the system on behalf of multiple Pension Fund users and provides system upgrades as required to ensure that the requirements of scheme regulations are met.</p>			
11.	<b>Monthly investments update review delayed</b>	We recommend that the accounting records are updated on a timely basis to ensure management information is sufficiently up to date to correctly inform decision making.	Financial and performance management information is made available on a monthly basis.	31 May 2021	Head of Pension Fund	Not applicable.



	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
12.	<b>IT control – Altair audit trail of changes</b>	We recommend that the annual review of the Altair audit trail include ensuring that completeness of the reports generated for review	Any adjustment to the filtering parameters would need to be undertaken by the system provider, Heywood, and therefore apply to all users of the system.	Ongoing	Head of Pension Fund	Subject to ongoing conversations with system provider.
13.	<b>Administration system – segregation of duties controls)</b>	We recommend that controls are implemented within the system to ensure that work prepared must be sent to someone with review responsibilities.	Controls have been set up by a super user based on the user profiles contained in the system. However, ongoing discussions will be had with the system providers to consider what changes could be made to improve this functionality with the proviso that the system is used by Pension Funds and bespoke amendments may not be financially viable.	Ongoing	Head of Pension Fund	Subject to ongoing conversations with system provider.
<b>OTHER FINDINGS</b>						
14.	<b>Lack of continuity plans in relation to absence of key individuals</b>	We recommend that continuity plans be developed for all key roles within the Fund's operations.	This will be reviewed as part of the ongoing governance review.	31 March 2022	Head of Pension Fund	Not applicable.
15.	<b>Internal audit and monitoring of controls</b>	We recommend that the internal audit function of the Authority is engaged annually	An Internal Audit report for the year 2020/21 that covers Pension Payroll and	30 June 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
		to assess the operation of controls at the Fund.	Administration is near completion.			
16.	<b>Compliance with LGPS regulations and the regulator.</b>	We recommend that procedures are developed in response to the requirements, and which ensure that the Fund meets its statutory obligations and regulatory requirements.	The Fund complies with all LGPS regulations and takes notice of all recommendations from The Pensions Regulator. The annual work plan for the Pension Fund Committee includes regular reviews of all statutory policies.	31 May 2021	Head of Pension Fund	Not applicable.
17.	<b>Approach to the pension liability disclosure</b>	We recommend that the Fund takes steps to ensure that all non-trivial adjustments to the liability are included at each valuation and that it satisfies itself that appropriate procedures are in place at the actuary to cleanse and check the member data used in each valuation.	We will discuss with actuary.	31 December 2021	Head of Pension Fund	Not applicable.
18.	<b>IAS 19 cash flows incomplete</b>	We recommend that the cash flow reporting is reviewed carefully and checked for reasonableness against expectations before it is provided to the actuary.	A review process will be put in place and documented.	31 December 2021	Head of Pension Fund	Not applicable.

	Area of issue	Issues identified	Actions required	Timeline	Lead Officer	Impact on 2020/21 Statement of Accounts
19.	<b>Lack of procedures to detect subsequent events</b>	We recommend that a process is implemented to consider this up to the date of signing of the financial statements.	Formal procedures will be put in place.	31 December 2021	Head of Pension Fund	Not applicable.
20.	<b>Maintenance of records</b>	It is important that the Fund ensures that adequate records are created and retained to evidence the rationale for all payments leaving the Fund.	Adequate records are maintained although it is not always possible to provide reports in 'unfamiliar' formats.	31 May 2021	Head of Pension Fund	Not applicable.
21.	<b>Bank and custodian mandates</b>	We recommend that all mandates are reviewed and updated accordingly to ensure they are complete and contain only relevant personnel. We also recommend that they are updated on an annual basis, or as soon as signatories leave office.	Mandates have been reviewed and have been updated.	30 April 2021	Head of Pension Fund	Not applicable.

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