

## 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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
		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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
		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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
		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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
		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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
			<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.



	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
		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.

	<b>Area of issue</b>	<b>Issues identified</b>	<b>Actions required</b>	<b>Timeline</b>	<b>Lead Officer</b>	<b>Impact on 2020/21 Statement of Accounts</b>
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.