

Havering Local Pension Board

AAF 01/20 Type 1 Report

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LPP

Local Pensions Partnership
Administration



What Is AAF 01/20?



AAF 01/20 reporting is where KPMG provides an assurance opinion over our controls.

The report is available to our existing clients and their auditors.

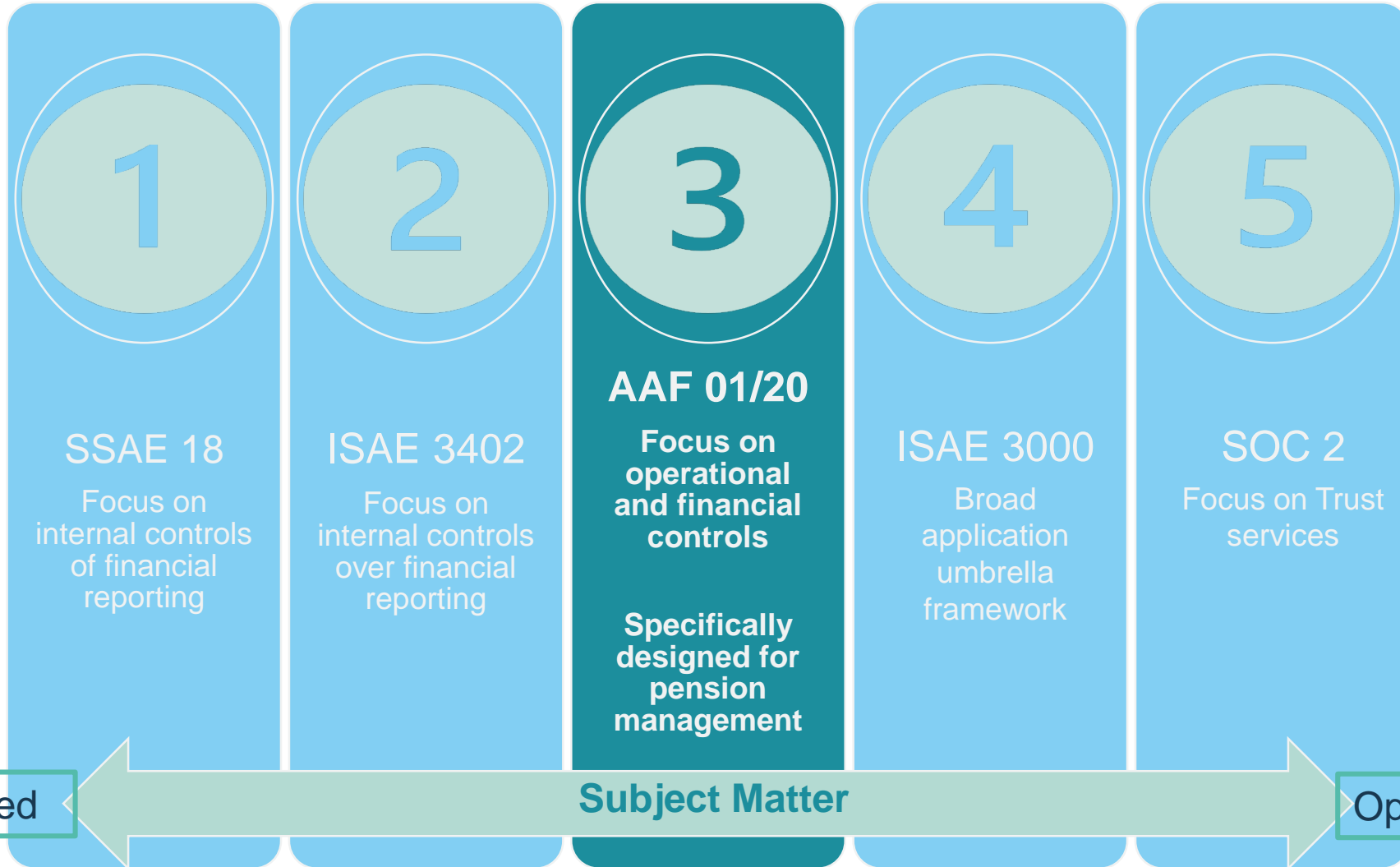
Why?

- Customers demand it.** More and more, customers demand assurance and transparency over the controls we operate.
- Reduce audit effort** through one report being made available to multiple parties.

Who?

- Service organisation = LPPA** – who design and operate their control framework.
- Our customers and wider stakeholders:** the organisations who require assurance - **You**.
- Service auditor = KPMG.**

Reasonable Assurance

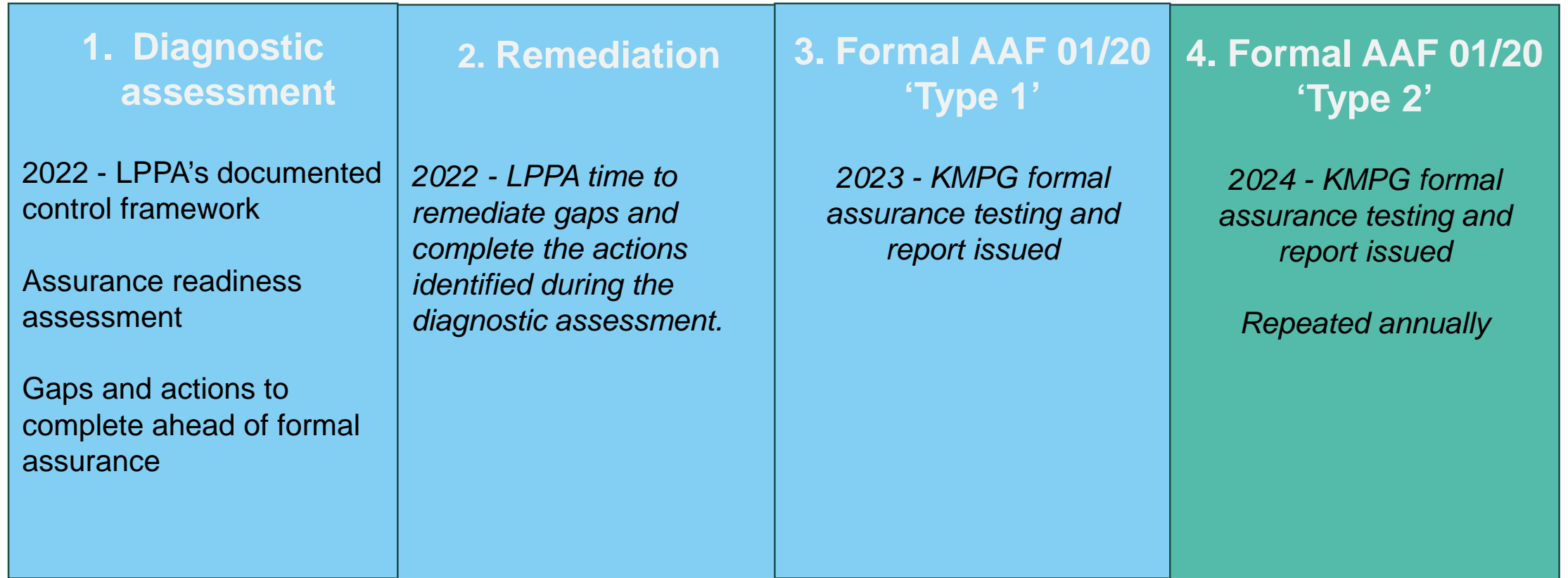


ICofR Focussed

Subject Matter

Operational Focussed

Approach at a glance



Control Objectives: Pension Administration

Accepting clients

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

Authorising and processing transactions

- Transfers-in received, and where applicable allocation of members' funds to investment options are processed completely, accurately and within agreed timescales.
- Benefits payable and transfer values are calculated in accordance with scheme rules and relevant legislation and are paid within agreed timescales.

Maintaining financial and other records

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

Safeguarding assets

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

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

Managing and monitoring compliance and outsourcing

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

Reporting to clients

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

Control Objectives: Information Technology

Restricting access to systems and data

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

Maintaining integrity of the systems

- Scheduling and internal processing of data is complete, accurate and within agreed timescales
- Transmission of data to/from external parties is complete, accurate, executed within agreed timescales and secure in line with external party agreements
- Network perimeter security devices are installed and changes are tested and approved
- Anti virus definitions are periodically updated across all terminals and servers, deployment and settings are periodically reviewed and updated when required; and patterns of attempted external breaches are monitored
- Data received from external parties is scanned for known vulnerabilities, any compromised data is quarantined and definitions of threats are periodically updated

Maintaining and developing systems hardware and software

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

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

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

Recovering from processing interruptions

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

Managing and monitoring compliance and outsourcing

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

AAF 01/20 Report Rating

The opinion covers whether:

- The description is fairly presented.
- The Control Activities related to the Control Objectives were suitably designed to achieve the Control Objectives.
- (Type II only) The Control Activities are operated with sufficient effectiveness to achieve the Control Objectives

Overall Opinion Options

Unqualified

No Exceptions

Minor Exceptions

No applicable Control Objective

Qualified

Exceptions impacting the achievement of any given control objectives

Limitation of testing

Adverse

Pervasive exceptions

LPPA's AAF 01/20 'Type 1'

Type 1 report issued with an **Unqualified rating**



Scope

112 Unique Controls Tested

384 Items of Evidence
Reviewed



Results

107 Unique Controls with No
Exceptions Noted

5 unique control exceptions noted.



Next Steps

'Type 2' work has commenced
Type 2 Report due 2025

LPPA's AAF 01/20 'Type 1'

Type 1 report issued with an **Unqualified rating**



Results

5 unique control exceptions noted. These did not affect the effectiveness of the Control itself.

Control	Exception Noted	Action Taken
Physical Post uploaded to UPM within 3 working days	The End-of-Day Tracker does not show that management validated post was uploaded to UPM within three working days of receipt. Specifically, it does not detail the ID's / aged dates of items carried forward to the next day. Therefore, there is a risk that a given item is carried forward over multiple days, not identified by the Post team's review, and therefore misses the SLA.	The end-of-day tracker for physical post has been updated to record the date-received of the oldest carried-forward item, which will enable us to demonstrate that post is being processed in a timely manner.
Payroll Calendar rolled forward and reviewed by Payroll Manager	Management were unable to provide evidence to demonstrate that the calendar has been rolled forward or reviewed by the Payroll Manager.	The Payroll Manager will send an email confirming their review of the updated calendar
Bereavement cases which have not been completed coming up to 2 years are reviewed monthly	We were informed that there had been no monthly review of bereavement cases performed within the last three months.	The Bereavement Operations Manager will be responsible for actioning this report each month moving forward.
Annual Benefit Statement to be checked by an independent person prior to issue	The Active/Deferred ABS Checklist did not evidence who had performed the checks and whether these had been done before the ABS was sent to the member.	The ABS Checklist holds all relevant columns, including the name of the records checker and producer, for future years.
SLA review meetings to take place with Hugh Symons	There has been no SLA review meeting with Hugh Symons within the last three months.	Review is now undertaken on a quarterly basis.