



File: T&F22/0431
A2483068

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1 August 2022

Hon Connie Bonaros MLC
Parliament House
North Terrace
ADELAIDE SA 5000

Sent via email: connie.bonaros@parliament.sa.gov.au

Dear Connie

Freedom of Information – Super SA

I refer to your application under the *Freedom of Information Act 1991* (FOI Act), received by the Department of Treasury and Finance (DTF) on 2 May 2022.

Your application specifically requested:

'The total annual amount of stamp duty on insurance premiums paid by Super SA for the period 1986 to 2022. All compliance audit documentation which relates to Super SA stamp duty on insurance premium liabilities for the period 1986 to 2022. Super SA Annual Stamp Duty Statements for the period 1986 to 2022. All correspondence including emails and notes of telephone attendances between Revenue SA and Super SA, and the Commissioner of State Taxation and Super SA, in relation to stamp duty liability on insurance for the period 1986 to 2022. Any penalty and interest charged to or paid by Super SA for outstanding stamp duty.'

After consultation with you, the scope was subsequently amended to:

'The total annual amount of stamp duty on insurance premiums paid by Super SA for the period 1986 to 2022. Correspondence between RevenueSA and Super SA in relation to RevenueSA Compliance Audit activity 1 January 2020 – present. Super SA Annual Stamp Duty Statements for the period 1986 to 2022. All correspondence including emails and notes of telephone attendances between Revenue SA and Super SA, and the Commissioner of State Taxation and Super SA, in relation to stamp duty liability on insurance for the period 1 January 2020 – present. Any penalty and interest charged to or paid by Super SA for outstanding stamp duty [date range: 1/01/1986 - 30/04/2022 in part].'

An extension was granted requiring that DTF respond to your freedom of information request by 15 July 2022. As DTF did not respond to your request within the time frame required, the department is deemed to have refused you access to all documents relevant to your application. However, I have determined to process the request as if the statutory time frame had been met.

The purpose of this letter is to advise you of my determination.

A total of 48 documents were identified as answering the terms of your application and I have determined as follows:

- I grant you access in full to 15 documents, copies of which are enclosed
- I grant you access in part to 1 document, a copy of which is enclosed, and
- I refuse you access to 32 documents.

Please refer to the attached schedule that describes each document and sets out my determination and reasons in summary form.

Documents released in full

Documents 7, 10-11, 13, 20, 26-27, 30, 36, 43-48

Document released in part

Document 6

Under clause 10(1) of Schedule 1 to the FOI Act, information is exempt from disclosure if it would be privileged from production on the ground of legal professional privilege. A section of this document contains legal advice provided to the government by its legal advisor, the Crown Solicitor, information which is subject to legal professional privilege. I have therefore determined to remove this section pursuant to clause 10(1) of Schedule 1 to the FOI Act.

Documents refused in full

Documents 1-5, 8-9, 12, 14-19, 21-25, 28-29, 31-35, 37-42

Documents 1-5, 8-9, 12, 14-19, 21-25, 28-29, 31-35, 37-40 contain details of RevenueSA's audit methodology. While it is in the public interest for there to be transparency regarding the operations of government, it is not in the public interest to release information that would provide opportunities to prejudice the effectiveness of the audits. On balance, I consider that the release of this information would be contrary to the public interest, and I have therefore determined it to be exempt pursuant to clause 16(1)(a)(i) of Schedule 1 to the FOI Act.

Under clause 10(1) of Schedule 1 to the FOI Act, information is exempt from disclosure if it would be privileged from production on the ground of legal professional privilege. Sections of documents 1, 8, 16, 34 and 37 contain legal advice provided to the government by its legal advisor, the Crown Solicitor, information which is subject to legal professional privilege. I have therefore determined to remove these sections pursuant to clause 10(1) of Schedule 1 to the FOI Act.

Document 32 is a draft letter which is substantially different to the final version and includes tracked changes and comments. I acknowledge that there is a strong public interest in the openness of government and transparency regarding government decisions. In my view however, this is outweighed by the need to allow public servants to consult with each other when drafting correspondence. I have therefore determined to exempt these documents pursuant to clause 9(1)(a)(ii) of Schedule 1 to the FOI Act.

Documents 12 and 37 are notes from a meeting and document 31 consists of correspondence between branches of DTF. These documents contain matter relating to opinion, advice and recommendation provided for the decision-making function of the government. Again, I acknowledge that there is a strong public interest in the openness of government and transparency regarding government decisions. In my view however, this is outweighed by the need to ensure that public servants are able to provide advice without

inhibiting frankness and candour, both in correspondence and during meetings. Disclosure of these documents would hinder free communication and would, in turn, impede the agency's deliberative process. I have therefore determined to exempt these documents pursuant to clause 9(1)(a)(i) of Schedule 1 to the FOI Act.

Under clause 16(2) of Schedule 1 to the FOI Act, a document is exempt if its disclosure reveals matter which could prejudice the competitiveness of an agency in carrying on those commercial activities. Documents 12 and 22-24 contain information related to the commercial activities of Super SA. In my view, disclosing this information has the potential to cause commercial damage to the agency, thereby undermining its ability to remain competitive in its industry. I have therefore determined to exempt this information pursuant to clause 16(2) of Schedule 1 to the FOI Act.

Documents 28-29, 32, 35, 37 and 39 contain information obtained in relation to the administration or enforcement of the *Tax Administration Act 1996* (TAA), the release of which would be an offence in accordance with Section 77 of the TAA. Clause 12(1) of Schedule 1 to the FOI Act states that a document is exempt from release if 'it contains matter the disclosure of which would constitute an offence against an Act'. I have therefore exempted these documents pursuant to clause 12(1) of Schedule 1 to the FOI Act.

Audit Working Documents of the Auditor-General

Documents 41-42 consist of audit working documentation of the Auditor-General. They represent the body of information and documentation requested or gathered while undertaking audits or examinations, upon which the Auditor-General or his department will review, consider and assess. They are therefore exempt under Schedule 1, Part 3, Clauses 9(1)(a)(i) and 16(1)(a)(i) of the FOI Act.

The documents relate to the preliminary planning and conduct of statutory audits and seeking and providing information relevant to statutory audits. They contain advice and opinions that have been prepared or obtained in the course of, and for the purpose of, the decision-making functions of the Government.

Both clauses require me to consider the public interest. It is in the public interest to know that the activities of government agencies are subject to examination or audit and that those audits are carried out impartially and at appropriate intervals.

As the documents held by DTF comprise only a small portion of the total audit working documents for the relevant audit, the majority being held by the Auditor-General, disclosure of the documents held by DTF could lead to a distorted view of the audit process and undermine both the office of the Auditor-General and the general audit and reporting processes established under the *Public Finance and Audit Act 1987* as well as the particular audit and reporting processes in respect of DTF.

Release of the documents would also be detrimental to the independence, integrity and effectiveness of the statutory audit and reporting responsibilities of the Auditor-General under the *Public Finance and Audit Act 1987*.

Members of the public can access the Auditor-General's annual reports to assist them to know what audits occur and the results of those audits. These reports allow the public to obtain information about audits and their outcomes without creating a distorted view of the process or undermining the office of the Auditor-General. I have therefore determined that, on balance, it is contrary to the public interest to release the documents and that

they are therefore exempt pursuant to clause 9(1)(a)(i) and clause 16(1)(a)(i) of Schedule 1 of the FOI Act.

Exemptions

Clause 9 – Internal working documents

- (1) *A document is an exempt document if it contains matter—*
- (a) that relates to—*
 - (i) any opinion, advice or recommendation that has been obtained, prepared or recorded; or*
 - (ii) any consultation or deliberation that has taken place, in the course of, or for the purpose of, the decision-making functions of the Government, a Minister or an agency; and*
 - (b) the disclosure of which would, on balance, be contrary to the public interest.*

Clause 10 – Legal Professional Privilege

- (1) *A document is an exempt document if it contains matter that would be privileged from production in legal proceedings on the ground of legal professional privilege.*

Clause 12 – Secrecy Provisions

- (1) *A document is an exempt document if it contains matter the disclosure of which would constitute an offence against an Act.*

Section 77 of the TAA – Prohibition of certain disclosures by tax officers

A person who is or has been a tax officer must not disclose any information obtained under or in relation to the administration or enforcement of a taxation law, except as permitted by this Part.

Clause 16 – Documents concerning operations of agencies

- (1) *A document is an exempt document if it contains matter the disclosure of which -*
- (a) could reasonably be expected -*
 - (i) to prejudice the effectiveness of any method or procedure for the conduct of tests, examinations or audits by an agency; or ...*
 - and*
 - (b) would, on balance, be contrary to the public interest.*
- (2) *A document is an exempt document if —*
- (a) it relates to an agency engaged in commercial activities; and*
 - (b) it contains matter the disclosure of which could prejudice the competitiveness of the agency in carrying on those commercial activities.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), DTF is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://www.dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars> Please visit the website for further information.

Appeal Rights

If you are aggrieved with this determination, you have a right to apply for internal review under subsection 29(1) of the FOI Act. Pursuant to subsection 29(2), your application must:

- be in writing
- be addressed to the principal officer, and
- be lodged at an office of DTF, or emailed to freedomofinformation2@sa.gov.au within 30 days after the day on which you receive this letter or within such further time as the principal officer may allow.

If you require any further information please phone Russell Withers on (08) 8429 3631.

Yours sincerely



Maria Ross
ACCREDITED FREEDOM OF INFORMATION OFFICER

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Schedule of Documents

T&F22/0431 Connie Bonaros MLC - 'The total annual amount of stamp duty on insurance premiums paid by Super SA for the period 1986 to 2022. Correspondence between RevenueSA and Super SA in relation to RevenueSA Compliance Audit activity 1 January 2020 – present. Super SA Annual Stamp Duty Statements for the period 1986 to 2022. All correspondence including emails and notes of telephone attendances between Revenue SA and Super SA, and the Commissioner of State Taxation and Super SA, in relation to stamp duty liability on insurance for the period 1 January 2020 – present. Any penalty and interest charged to or paid by Super SA for outstanding stamp duty [date range: 1/01/1986 - 30/04/2022 in part].'

Doc. No.	Date	Description of Document	# of pages	Determination	Exemption Clause
1	11/05/2020	Email	4	Refused in full	10(1) - Subject to legal professional privilege
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
2	8/05/2020	Attachment to Document 001	3	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
3	26/05/2020	File note	1	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
4	10/06/2020	Email	2	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
5	17/06/2020	Emails	1	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
6	19/08/2020	Email	1	Released in part	10(1) - Subject to legal professional privilege
7	20/08/2020	Email	1	Released in full	
8	11/11/2021	Record of meeting	4	Refused in full	10(1) - Subject to legal professional privilege
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
9	11/11/2021	Letter	3	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
10	16/11/2021	Email	3	Released in full	
11	23/11/2021	Calendar entry re meeting	1	Released in full	
12	23/11/2021	Record of meeting	7	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
					16(2)(a)&(b) - Relates to an agency engaged in commercial activities and would prejudice competitiveness
13	29/11/2021	Email	1	Released in full	
14	29/11/2021	Attachment to Document 013	1	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
15	2/12/2021	Record of telephone conversation	3	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest

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Schedule of Documents

Doc. No.	Date	Description of Document	# of pages	Determination	Exemption Clause
16	6/12/2021	Email	4	Refused in full	10(1) - Subject to legal professional privilege
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
17	2016	Attachment to Document 016	4	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
18	2016	Attachment to Document 016	2	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
19	2021	Attachment to Document 016	6	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
20	May 2020	Attachment to Document 016	50	Released in full	
21	7/12/2021	Email	2	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
22	7/12/2021	Email	3	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
					16(2)(a)&(b) - Relates to an agency engaged in commercial activities and would prejudice competitiveness
23	7/12/2021	Attachment to Document 022	28	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
					16(2)(a)&(b) - Relates to an agency engaged in commercial activities and would prejudice competitiveness
24	7/12/2021	Attachment to Document 022	6	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
					16(2)(a)&(b) - Relates to an agency engaged in commercial activities and would prejudice competitiveness
25	21/04/2020	Email	3	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
26	5/05/2020	Email	2	Released in full	
27	10/06/2020	Email	1	Released in full	
28	8/05/2020	Attachment to Document 027	3	Refused in full	12(1) - Disclosure would constitute an offence against an Act
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
29	9/06/2020	Attachment to Document 027	1	Refused in full	12(1) - Disclosure would constitute an offence against an Act
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest

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Doc. No.	Date	Description of Document	# of pages	Determination	Exemption Clause
30	19/08/2020	Email	1	Released in full	
31	19/08/2020	Attachment to Document 030	2	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
32	8/06/2021	Draft letter	3	Refused in full	9(1)(a)(ii) - Contains matter relating to consultation or deliberation for decision-making of the Government, a Minister or an agency & contrary to public interest
					12(1) - Disclosure would constitute an offence against an Act
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
33	8/06/2021	Letter	3	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
34	3/11/2021	Email	6	Refused in full	10(1) - Subject to legal professional privilege
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
35	11/11/2021	Draft letter	3	Refused in full	12(1) - Disclosure would constitute an offence against an Act
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
36	11/11/2021	Meeting request calendar entry	1	Released in full	
37	11/11/2021	Handwritten notes from meeting	3	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					10(1) - Subject to legal professional privilege
					12(1) - Disclosure would constitute an offence against an Act
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
38	7/12/2021	Email	2	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
39	1/12/2021	Draft letter	1	Refused in full	12(1) - Disclosure would constitute an offence against an Act
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
40	7/12/2021	Email	1	Refused in full	16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest

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Doc. No.	Date	Description of Document	# of pages	Determination	Exemption Clause
41	9/09/2020	Attachment to Document 040	9	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
42	13/09/2021	Attachment to Document 040	18	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
43	13/09/2021	Attachment to Document 040	25	Released in full	
44	19/09/2018	Attachment to Document 040	9	Released in full	
45	22/08/2017	Attachment to Document 040	14	Released in full	
46	5/09/2019	Attachment to Document 040	18	Released in full	
47	16/08/2016	Attachment to Document 040	15	Released in full	
48	19/08/2016	Attachment to Document 040	4	Released in full	

Bennett, Dascia (DTF)

From: Holmes, Julie (DTF)
Sent: Wednesday, 19 August 2020 12:29 PM
To: Bennett, Dascia (DTF)
Cc: Smith, Lisa (DTF)
Subject: RE: Correspondence from Super SA

Thanks Das

Is there a key contact, senior policy officer we can discuss with **Clause 10(1)**

Kind regards
Julie

From: Bennett, Dascia (DTF)
Sent: Wednesday, 19 August 2020 11:33 AM
To: Holmes, Julie (DTF) <Julie.Holmes@sa.gov.au>
Subject: Correspondence from Super SA

Hi Julie

Please find correspondence attached.

Cheers
Das

Dascia Bennett
Chief Executive | Super SA

151 Pirie Street, ADELAIDE SA 5000
t 8226 9510 | **m** 0419 285 093 | **e** dascia.bennett@sa.gov.au | **w** supersa.sa.gov.au

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Pearce, Alannah (DTF)

From: Brown, Amelia (DTF)
Sent: Thursday, 20 August 2020 4:24 PM
To: Pearce, Alannah (DTF)
Cc: McAvaney, Patrick (DTF); Bennett, Dascia (DTF)
Subject: RE: Correspondence with Revenue SA

Hi again, Das has clarified it will be Patrick that is the contact, sorry!

Kind regards
 Amelia

From: Brown, Amelia (DTF)
Sent: Thursday, 20 August 2020 4:15 PM
To: Pearce, Alannah (DTF) <Alannah.Pearce@sa.gov.au>
Cc: Patrick McAvaney (DTF) (Patrick.Mcavaney@sa.gov.au) <Patrick.Mcavaney@sa.gov.au>; Bennett, Dascia (DTF) <Dascia.Bennett@sa.gov.au>
Subject: Correspondence with Revenue SA

Hi Alannah

Please note the attached correspondence was submitted to Revenue SA, a copy of the submission email is attached so you have it for your file.

Also note the response (attached) – is it ok if Das provides you as the contact?

Kind regards
 Amelia

Amelia Brown

Executive Project Officer | Super SA

151 Pirie Street, ADELAIDE SA 5000

t 822 69510 | e amelia.brown@sa.gov.au | w supersa.sa.gov.au

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Brown, Amelia (DTF)

From: Kemp, Paula (DTF)
Sent: Tuesday, 16 November 2021 2:47 PM
To: Brown, Amelia (DTF); Lardner, Helen (DTF)
Subject: RE: CE, Super SA request to meet with CE, DTF & Commissioner State Taxation Re: Super SA Stamp Duty Audit

Hi Amelia,

Yes please an invite so it is in Julie's calendar would be great. Julie is in SAC and David's office is fine.

Thanks Paula

From: Brown, Amelia (DTF) <Amelia.Brown@sa.gov.au>
Sent: Tuesday, 16 November 2021 2:45 PM
To: Lardner, Helen (DTF) <Helen.Lardner@sa.gov.au>; Kemp, Paula (DTF) <Paula.Kemp2@sa.gov.au>
Subject: RE: CE, Super SA request to meet with CE, DTF & Commissioner State Taxation Re: Super SA Stamp Duty Audit

Thanks Helen

I will move what Das has on to make 3:30pm work.

Shall I send an invite? And regarding venue – are you all working at SAC, in which case is David's office convenient?

Kind regards
 Amelia

From: Lardner, Helen (DTF) <Helen.Lardner@sa.gov.au>
Sent: Tuesday, 16 November 2021 2:42 PM
To: Brown, Amelia (DTF) <Amelia.Brown@sa.gov.au>; Kemp, Paula (DTF) <Paula.Kemp2@sa.gov.au>
Subject: RE: CE, Super SA request to meet with CE, DTF & Commissioner State Taxation Re: Super SA Stamp Duty Audit

Hi there

For David, the preference is for 2pm on 23/11/21 please, or 3:30pm. Does this work for everyone?

Kind regards

Helen

From: Brown, Amelia (DTF) <Amelia.Brown@sa.gov.au>
Sent: Tuesday, 16 November 2021 2:32 PM
To: Kemp, Paula (DTF) <Paula.Kemp2@sa.gov.au>; Holmes, Julie (DTF) <Julie.Holmes@sa.gov.au>; Lardner, Helen (DTF) <Helen.Lardner@sa.gov.au>
Cc: Bennett, Dascia (DTF) <Dascia.Bennett@sa.gov.au>
Subject: RE: CE, Super SA request to meet with CE, DTF & Commissioner State Taxation Re: Super SA Stamp Duty Audit

Many thanks Paula and Julie – 30 minutes at 1:30pm suits Das, I will wait to hear from Helen if David's time can be confirmed, thanks so much for your help.

Kind regards
Amelia

From: Kemp, Paula (DTF) <Paula.Kemp2@sa.gov.au>
Sent: Tuesday, 16 November 2021 2:29 PM
To: Holmes, Julie (DTF) <Julie.Holmes@sa.gov.au>; Brown, Amelia (DTF) <Amelia.Brown@sa.gov.au>; Lardner, Helen (DTF) <Helen.Lardner@sa.gov.au>
Cc: Bennett, Dascia (DTF) <Dascia.Bennett@sa.gov.au>
Subject: RE: CE, Super SA request to meet with CE, DTF & Commissioner State Taxation Re: Super SA Stamp Duty Audit

Good Afternoon Amelia,

Julie is available for half an hour between 1.30 and 2.00 pm on Tuesday 23 November 2021. She is available for one hour between 3.00-4.00pm that day if it suits.

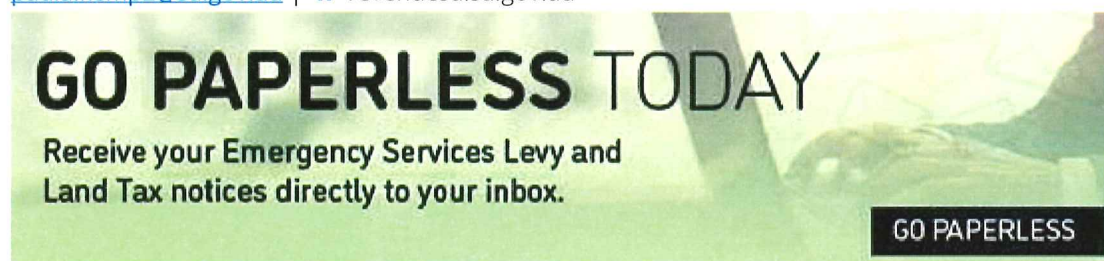
Kind Regards,

Paula Kemp

Acting/Executive Assistant to the Commissioner of State Taxation & Deputy Commissioners' of State Taxation,
Business Support Unit | RevenueSA

State Administration Centre, 200 Victoria Square ADELAIDE SA 5000t (08) 822 63784 | e

paula.kemp2@sa.gov.au | w revenuesa.sa.gov.au



Information

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From: Holmes, Julie (DTF) <Julie.Holmes@sa.gov.au>
Sent: Tuesday, 16 November 2021 2:18 PM
To: Brown, Amelia (DTF) <Amelia.Brown@sa.gov.au>; Lardner, Helen (DTF) <Helen.Lardner@sa.gov.au>; Kemp, Paula (DTF) <Paula.Kemp2@sa.gov.au>
Cc: Bennett, Dascia (DTF) <Dascia.Bennett@sa.gov.au>
Subject: RE: CE, Super SA request to meet with CE, DTF & Commissioner State Taxation Re: Super SA Stamp Duty Audit

Paula can assist.
Thanks

From: Brown, Amelia (DTF) <Amelia.Brown@sa.gov.au>
Sent: Tuesday, 16 November 2021 2:05 PM
To: Lardner, Helen (DTF) <Helen.Lardner@sa.gov.au>
Cc: Holmes, Julie (DTF) <Julie.Holmes@sa.gov.au>; Bennett, Dascia (DTF) <Dascia.Bennett@sa.gov.au>
Subject: CE, Super SA request to meet with CE, DTF & Commissioner State Taxation Re: Super SA Stamp Duty Audit

Good afternoon Helen

Das would like to meet with David Reynolds and Julie Holmes, regarding *Stamp Duty Audit of Super SA*, early next week if possible please.

Via Outlook it looks like 1:30pm on Tuesday 23 November may work – are you able to confirm if this would be possible, at your office or Das is happy to go to Julie's office?

Julie, apologies I don't know if you have a PA/EA I should be contacting re: setting this up, I just thought to copy you on this email request.

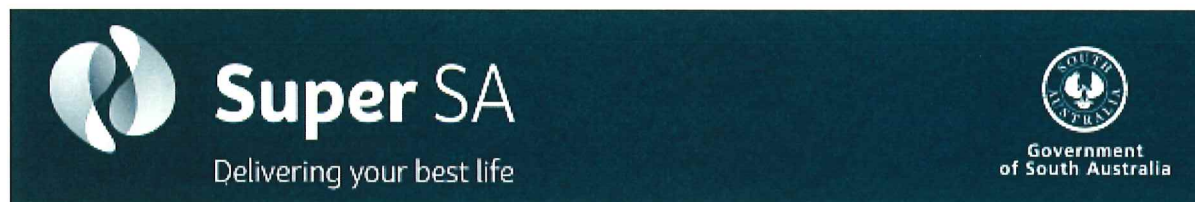
Kind regards
Amelia

Amelia Brown

Executive Project Officer | Executive | Super SA

151 Pirie Street, ADELAIDE SA 5000

t 842 94050 | e amelia.brown@sa.gov.au | w supersa.sa.gov.au



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Bennett, Dascia (DTF)

Subject: Super SA Stamp Duty Audit
Location: CE, DTF's Office, Level 8, SAC
Start: Tue 23/11/2021 3:30 PM
End: Tue 23/11/2021 4:00 PM
Recurrence: (none)
Meeting Status: Meeting organizer
Organizer: Bennett, Dascia (DTF)
Required Attendees: Reynolds, David (DTF); Holmes, Julie (DTF); McAvaney, Patrick (DTF)

Adding Patrick McAvaney, attendee

Pearce, Alannah (DTF)

From: Brown, Amelia (DTF)
Sent: Monday, 29 November 2021 5:44 PM
To: Holmes, Julie (DTF)
Cc: Kemp, Paula (DTF); Bennett, Dascia (DTF); Pearce, Alannah (DTF)
Subject: SUP21D00580 Letter to Commissioner for State Taxation Stamp Duty Audit - Super SA
Attachments: SUP21D00580 Letter to Commissioner of State Taxation Stamp Duty Audit - Super SA.pdf

Good afternoon Julie

Please find correspondence from Super SA attached.

Kind regards
Amelia

Amelia Brown

Executive Project Officer | Executive | Super SA

151 Pirie Street, ADELAIDE SA 5000

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Super SA

**Triple S Insurance Review as at
30 June 2019**

May 2020

1. Executive summary

- 1.1 This actuarial investigation of the insurance arrangements of the Triple S Scheme is required by Section 17 of the Southern State Superannuation Act 2009 (the Act). This is the seventh actuarial investigation; the previous investigation having been carried out by Catherine Nance in a report dated February 2017 (2016 review).
- 1.2 We were provided with electronic data by Super SA. We adjusted the data to include allowance for claims which had been incurred prior to 30 June 2019, but which had not been finalised.
- 1.3 The change of administration system (from Superb to Bluedoor) in May 2018 meant that additional data items were available for this investigation, which enabled us to update our approach, particularly in relation to incurred but not reported (IBNR) assumptions. This is discussed further in the report.
- 1.4 The change in administration system posed challenges for the fund in compiling a complete and consistent record of insurance member data and claims for the four-year period to 30 June 2019. We are aware the transition has meant information has been extracted from both systems (Superb and Bluedoor) for this investigation. We have observed data inconsistencies, however we do not believe these would fundamentally change the conclusions of this review. If the information provided is subsequently determined to be substantially inaccurate, you may need to seek advice as to whether this would materially impact on the findings of this investigation.
- 1.5 We are aware that Super SA is currently considering the future delivery model for insurance in superannuation, one option of which is to outsource the insurance arrangements to a registered life insurer. This report is based on the self-insurance arrangements in place at the valuation date.

Overall conclusions

- 1.6 The industry is continuing to experience significant increases to total and permanent disablement (TPD) and income protection claims. This is due to increased member engagement and awareness of superannuation related insurance benefits, and a continued presence of legal firms in claims.
- 1.7 A number of product changes occurred in September 2018 as part of "Project Protect", including:
 - a. the introduction of age-based premiums for income protection
 - b. introduction of a new fixed benefit product
 - c. removal of the subsidy on voluntary cover
 - d. extension of cover ages for 5 years for death and TPD (ages 65 to 70) and income protection (ages 60 to 65).
- 1.8 The premium subsidy for standard default cover only on death and TPD was \$4.4 million at 30 June 2019. We believe this is sufficiently supported by free reserve of \$42.1 million and could continue to be supported for the next three years.
- 1.9 As a result of changing to age-based premiums, income protection premiums are expected to exceed claims cost by \$0.5 million in 2020, based on the average claims rate over the four-year period from 2016 to 2019, including an allowance for expenses. This contrasts with the expected ongoing depletion of income protection reserves observed in the previous investigation.
- 1.10 A reserve of \$10 million in respect of the legacy fixed cover product was established at the 2013 review to allow for the expected future subsidy it required. Although members can no longer apply for this product there are approximately 5,000 members who retain this type of cover. Legacy fixed cover claims are still expected to exceed premiums and we believe the current reserve of \$10 million continues to be appropriate.
- 1.11 Given the analysis presented in this report, we do not believe there is an immediate need to change the premium structure at this time, as the existing premiums remain appropriate given the current membership profile and claims experience for 2016-19.
- 1.12 If, before the next review is due to be completed (as at 30 June 2022), any of the following events occur whilst the fund continues to self-insure we recommend the ongoing appropriateness of the self-insurance arrangements and premiums be reassessed:
 - a. A significant change in the insured membership profile (e.g. 20% increase/decrease)
 - b. A significant change to the benefit design

- c. The Board assesses that there has been a significant change in the cost of administering the insurance arrangements that could potentially impact on the premiums of all members
- d. There is subsequently determined to be material changes in the data on which this investigation has been based (where that information would have been known at the date of this investigation).

Death and TPD

- 1.13 The average cost of standard cover (claims plus expenses) remains approximately \$1 per unit per week, but this is lower for younger members.
- 1.14 If standard default cover premiums remain at \$0.75 per unit per week in order to subsidise default premiums for Triple S members, the expected premium subsidy is \$4.4 million per annum. The reserves remain sufficient to cover the premium subsidy.
- 1.15 Members can no longer apply for the previous fixed cover benefit (legacy fixed cover) at a fixed premium. However, members who already have legacy fixed cover prior to the cessation retain their current level of cover. Expected claims exceed the fixed cover premiums by \$0.7 million, or 18%. A reserve of \$10 million was established in 2013 to allow for the expected future subsidy required for fixed cover, and we believe this remains appropriate. If the current relationship between claims and premiums continues, it is expected the fixed cover reserve will be sufficient for approximately 10 years.

Income protection

- 1.16 The cost of cover over the review period (2016-19) has increased to 0.40% of salary after expenses (0.31% over 2013-16), which is slightly below the current premium (weighted average of 0.43% of salary). The amount of premiums collected in 2019 exceeded benefits paid during the year for the first time since 2013. Allowing for IBNR and IBNER it is expected that premiums will exceed claims by approximately \$2.0 million for 2020, based on claim rates for 2016-19.

Reserves

- 1.17 The insurance reserves remain substantial at \$165.2 million at 30 June 2019 (compared to \$141.3 million at 30 June 2016).
- 1.18 Free reserves increased from \$36.8 million to \$42.1 million due to strong investment returns, offset by the increased prudential reserves (\$48.3 million to \$50.5 million) required to cover increasing levels of expected claims.
- 1.19 We believe the Board is entitled to take the view that the free reserves remain adequate to support the current premium subsidy of death and TPD claims for the next three years. Based on the change to age-based premiums and 2019 claims experience the projected profitability of income protection is more favourable than in prior years. However, as income protection claims continue to increase it is important to note this will require ongoing monitoring.
- 1.20 Contingency reserves are held in respect of the risk of exceptional events. These reserves are particularly important for Triple S, as the self-insurance risk of the fund ultimately rests with the South Australian government and there is no formal reinsurance arrangement in place. In addition to self-insurance risk, the scheme also bears the following risks:
 - a. Catastrophe
 - b. Asset fluctuation
 - c. Underestimation of claim rates
- 1.21 With the current level of free reserves estimated to cover an additional ~1,000 claims (or an increase in the claims for one year of five times) the existing reserves will likely be sufficient to protect against any impacts of the current COVID -19 pandemic, especially given Australia's low infection/mortality rate to date. However, the nature of "one in 100 year" events is that they are generally independent of the length of time since the last event, so it is prudent to ensure a suitable catastrophe reserve allowance is maintained for future events.

Post 30 June 2019 events

- 1.22 The ongoing financial position of Triple S scheme is impacted both by the investment performance of the reserves and the claims experience. The recent investment market downturn and impact of the COVID-19 pandemic on the scheme's claims experience may reduce the level of free reserves available since 30 June 2019.
- 1.23 Given the low level of COVID-19 infection rates reported in South Australia to date it is unlikely that Triple S has experienced many claims relating to COVID-19, although it is possible this may change in the future.

- 1.24 Experience for income protection is expected to worsen as ongoing claimants may have to be extended as there are few jobs available to prove on-going capacity to work. Also, due to lockdown regulations across Australia it is expected there will be an increase in claims relating to mental illnesses conditions
- 1.25 We note that since the valuation date the reserves are likely to have reduced, with Super SA's Balanced fund (where the reserves are invested) reporting a -7.2% return from 30 June 2019 to 31 March 2020. This would have reduced the free reserves by approximately \$12 million, from \$42.1 million to \$30 million.

Death and TPD

- 1.26 As at 30 June 2019, 116,887 members held death and TPD cover, with the amount of cover totalling \$19.8bn.
- 1.27 The death and TPD claim cost (including IBNR) increased from 0.09% of sum insured for 2013-16 to 0.11% for 2016-19.

Claims as % of sum insured					
2013-16* total	2016 ¹	2017	2018	2019	2016-19* total
0.09%	0.09%	0.12%	0.08%	0.13%	0.11%

* The 2013-16 and 2016-19 totals are four-year averages and are inclusive of 2013 and 2016 respectively. All references to 2013-16 and 2016-19 throughout this report reflect the respective four-year period.

- 1.28 Observations of TPD claim experience are that:
- TPD claims are continuing to increase across the industry
 - There remains a strong presence of legal firms in claims and an increase in mental health claims
 - The previous claim experience may reflect apathy of members and may not be the case in the future.
- 1.29 The cost of standard cover remains approximately \$1 per unit per week but is lower for younger members (i.e. they are paying more than the cost of claims given the current premium rates). For example, the cost of claims ranges from approximately \$0.21 per unit per week at ages 20 to 25 up to approximately \$1.15 per unit per week for ages 35 to 40, compared to the subsidised premium of \$0.75 per unit per week.
- 1.30 If standard cover premiums remain at \$0.75 per unit per week for the member's first 3 standard units (6 for police and ambulance members), the expected premium subsidy is \$4.4 million per annum. Given free reserves of \$43.5 million, a subsidised premium is sustainable.
- 1.31 A new fixed cover product was launched in September 2018. Members can purchase units of death & TPD cover of \$10,000. As there is a limited number of members with this cover (345 members at 30 June 2019) and premium rates are based on standard cover, we have included these members in the results of standard members.
- 1.32 Legacy fixed cover is no longer available to new members. However, members covered prior to the cessation retain their current level of cover. The expected claims exceed the current fixed cover premiums by \$0.7 million, or 18%. Claims are expected to increase further as these members age. Therefore, the excess premium should be considered as a contribution to reserves and hence, a reserve (\$10 million as at 30 June 2016) has been maintained for this group.

¹ This figure is different to the 2016 claim rate in February 2017 report (which showed a claim rate of 0.11%). It is based on actual claims reported for 2016 (rather than estimates for Incurred But Not Reported claims) and incorporates any updates to insured member information since the last review.

Income protection

- 1.33 As at 30 June 2019, 92,543 members had income protection cover, with a total salary of \$7.3bn.
- 1.34 The rate of income protection claims has been steadily increasing from 2016 to 2019, with the claim rate as a percentage of insured members as below:

Claims as % of members						
	2013-16	2016 ²	2017	2018	2019	2016-19
Claims	1,699	456	500	542	534	2,032
Claim rate	0.55%	0.54%	0.59%	0.63%	0.60%	0.59%

- 1.35 The cost of income protection claims has been increasing and this is consistent with experience across the industry.
- 1.36 Claims as a percentage of salary insured was 0.33% for 2016-19 but has been increasing through 2016-19. The claim as a percentage of salary insured experience is lower than the claim rate experience (shown above) mainly due to low average duration of claims (including adjustment for Incurred But Not Enough Reported, IBNER³).

Claims as % of salary insured						
	2013-16	2016 ⁴	2017	2018	2019	2016-19
Claims as % of salary insured	0.25%	0.27%	0.30%	0.35%	0.39%	0.33%
Average duration (yrs.)	0.65	0.68	0.68	0.79	0.85	0.75

- 1.37 The cost of income protection benefits for 2013-16 was 0.25% of salaries (after allowing for IBNER and IBNR). Since 2016, claims experience has continued trending upwards, averaging 0.33% for 2016-19, and reaching 0.39% for 2019. The claims costs were 0.40% for 2016-19 and 0.44% for 2019 after allowing for insurance administration fees⁵.

Reserves

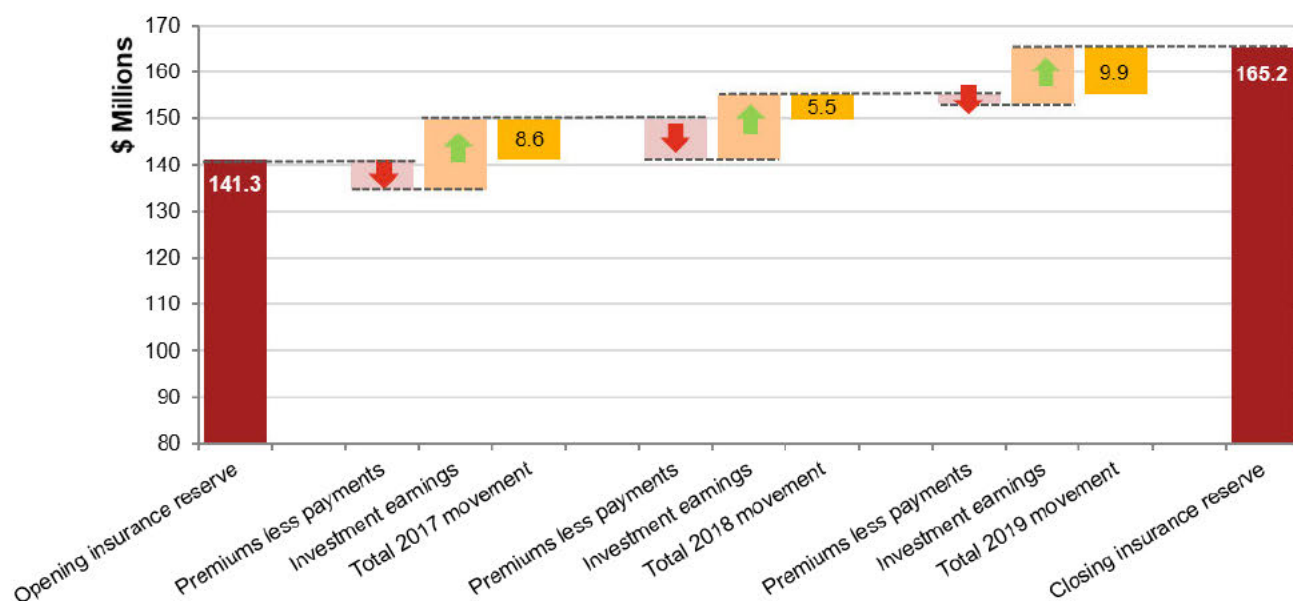
- 1.38 The insurance reserves increased by 17% from 2016 to 2019 to \$165.2 million (5.4% per annum). This was mainly due to favourable investment returns, which averaged 9.5% per annum for 2016 to 2019 (11.0% in 2017, 9.5% in 2018 and 8.1% in 2019).
- 1.39 Premiums were less than payments and expense outflows for each of the past 3 years. Most notably total insurance expenses have increased considerably from \$2.4m in 2016 to \$8.7m in 2019 (230%) mainly due to non-operational project costs (\$5.1m for 2019).

² This figure is different to the 2016 claim rate in February 2017 report (which showed 471 claims and a claim rate of 0.55%). It is based on actual claims reported for 2016 (rather than estimates for Incurred But Not Reported claims and Incurred But Not Enough Reported claims) and incorporates any updates to insured member information since the last review.

³ Incurred But Not Enough Reported allows for additional payments to be made for income protection claims in progress.

⁴ This figure is different to the 2016 claim rate in February 2017 report (which showed claims cost of 0.29%). It is based on actual claims reported for 2016 (rather than estimates for Incurred But Not Reported claims and Incurred But Not Enough Reported claims) and incorporates any updates to insured member information since the last review.

⁵ Estimated based on operational cost estimate as at 30 June 2019 advised by Super SA (\$3.2m for 2019).



- 1.40 The level of recommended Prudential Reserves (\$50.5 million) and self-insurance reserves (\$72.6 million) leave free reserves of \$42.1 million, increased from \$36.8 million in 2016. Going forward, free reserves will meet the cost of the death, and TPD premium subsidies, and any additional costs in the event that prudential and self-insurance reserves are insufficient.

\$ million	Death and TPD	Income Protection	Total at 30/06/19	Total at 30/06/16
Insurance reserve¹	159.6	5.6	165.2	141.3
<i>Prudential Reserves</i>				
IBNR & IBNER ²	13.1	17.4	30.5	28.3
Fluctuation reserve	5.0	5.0	10.0	10.0
Fixed Cover Reserve ³	10.0	0.0	10.0	10.0
Total Prudential Reserves	28.1	22.4	50.5	48.3
<i>Self-insurance Reserves</i>				
Asset resilience reserve	4.2	3.4	7.6	7.2
Contingency reserve	26.3	38.7	65.0	49.0
Total Self Insurance Reserves	30.5	42.1	72.6	56.2
Total Prudential and Self Insurance Reserves	58.6	64.5	123.1	104.5
Expected 'free reserves'	101.0	(58.9)	42.1	36.8
Total subsidy	4.4	-	4.4	7.7

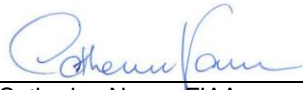
¹ Insurance reserve of \$141.3m was split into death and TPD and income protection based on Triple S accounts (audited).

² Includes allowance for higher than expected IBNR & IBNER at 50%.

³ Estimated based on current member cohort.

- 1.41 The insurance reserves remain substantial, at \$165.2 million at 30 June 2019. With free reserves of \$42.1 million, we believe they remain adequate to support the current premium subsidy of death and TPD claims for at least the next three years.

- 1.42 In light of market returns since 30 June 2019 (Super SA's balanced fund fell 7.2% to 31 March 2020), the ability of the free reserve to support the subsidy remains sustainable.



Catherine Nance FIAA
Retirement Incomes and Asset Consulting
*Authorised Representative (#265248) of
PricewaterhouseCoopers Securities Ltd*

Contents

1.	Executive summary	3
2.	Introduction	10
3.	Data	13
4.	Death and TPD experience analysis	18
5.	Income protection experience analysis	25
6.	Profitability	30
7.	Reserves	33
8.	Reliance and limitations	37
Appendix A	IBNR calculations for death and TPD insurance	40
Appendix B	Death and TPD insurance cover tables	42
Appendix C	Summary of 2018 product changes	45
Appendix D	Extract from Southern State Superannuation Act 2009	49

2. Introduction

Purpose and scope of report

- 2.1 This report has been prepared at the request of the Department of Treasury and Finance of South Australia, acting on behalf of Super SA as required by Section 17 of the *Southern State Superannuation Act 2009* (see Appendix A).
- 2.2 The valuation date for this report is 30 June 2019.
- 2.3 The previous triennial report was prepared as at 30 June 2016 by Catherine Nance of PwC, dated February 2017.

Changes since the last investigation

- 2.4 A new administration system, Bluedoor, was implemented in May 2018 replacing Superb. As a result, for this investigation we have received more information compared to that available for previous investigations (e.g. the “incident date” for many death and TPD claims is now available). We have therefore adjusted our approach to analysing the insurance experience, including making fewer assumptions, and have been able to refine our IBNR approach compared to the previous investigations. We also observed some inconsistencies with the data, discussed in section 3.
- 2.5 A number of product changes have been implemented since the 2016 review. Extensive changes recently took place in September 2018 as part of the “Project Protect” changes. The key changes in respect of Project Protect include (see appendix C for more details):
 - a. The number of default death and TPD units was increased from 2 standard units to 3 (excluding Police and Ambulance members who remain with 6 default units).
 - b. The age for standard cover increased from age 65 to 70.
 - c. The subsidy of \$0.25 per unit per week now applies to the default cover only, any additional units are purchased at the full rate of \$1 per unit per week.
 - d. A new fixed death and TPD benefit option was launched which provides cover in units of \$10,000, with aged based premiums.
 - e. Terms and conditions were updated to better align with Superannuation Industry (Supervision) Regulations 1994.
 - f. The income protection benefit was increased to include a contribution replacement benefit (at 9.5% of insured income); cover was extended to age 65 and the option of a 90-day waiting period was introduced. Income protection premiums are also now based on the member’s age.
 - g. All members (except police or ambulance members) can reduce or cancel their cover at any time. Police and ambulance members can opt-out of death and TPD after age 65, and out of income protection after age 60.

Insurance arrangements provided by Triple S

Death and total and permanent disablement

- 2.6 Triple S provides death and total and permanent disablement insurance (with TPD including terminal illness) paid as a lump sum. All members, including those who work part time or who are employed on a casual basis, are entitled to insurance cover. All members may choose not to have insurance, with the exception of police and ambulance members who can only cancel their cover from age 65.
- 2.7 There are two types of cover:
 - a. Standard cover which comprises:
 - i. Default benefits - for a fixed weekly premium of \$1 per unit per week (which is subsidised from reserves such that the member only pays \$0.75 per unit per week), the insurance is a

specific dollar amount of insurance which varies with age, up to age 70. The default insurance is three units of standard cover (6 units for police and ambulance members).

- ii. Additional/voluntary benefit - members may apply for units in addition to their default cover, subject to evidence of good health. The insurance is a specific dollar amount of insurance which varies with age, up to age 70; premiums are a fixed \$1 per unit per week, without any subsidy applied.

b. Fixed cover which comprises:

- i. Fixed benefit cover – as part of Project Protect, a new fixed benefit option was introduced. Members can select a fixed level of cover, in units of \$10,000, with premiums based on the member's age, up to age 70. Premiums are in line with the standard cover rates.
- ii. Legacy fixed cover – this fixed cover offers insurance up to age 65, in units of \$75,000 each. The premium is also fixed and is based on the age at which the cover is taken out. Since 13 November 2014 members are no longer able to apply for fixed units of cover at a fixed premium. Members can only increase their level of cover by opting out of this product.

- 2.8 The maximum insurance cover a member can hold is \$1,500,000 or \$750,000 if the member is employed on a casual basis.
- 2.9 Police and ambulance members, who are also members of Triple S, automatically receive six units of standard cover. Police and ambulance members can opt-out of death and TPD after age 65, and out of income protection after age 60.
- 2.10 Spouse members have the option of applying for voluntary death insurance cover, subject to evidence of good health. The maximum insurance cover a spouse member can hold is \$1,500,000.
- 2.11 The insurance cover and premiums for standard and fixed cover are included in Appendix C.
- 2.12 Death and TPD insurance does not cover medical conditions that existed at the time of joining Triple S, for a period of six months.
- 2.13 Approval of a TPD benefit is based on the Superannuation Industry (Supervision) Act 1993 definition, however the member must still terminate employment. TPD claims must be lodged within two years of terminating employment.

Income protection insurance

- 2.14 Triple S provides income protection insurance, payable as a fortnightly income for a limited period following temporary disablement.
- 2.15 The benefit is:
 - a. 75% of salary plus a contribution replacement benefit (CRB, benefits payable from 3 September 2018 only), bringing the total benefit to 82.125% of pre-disability income (i.e. 75% multiplied by (1 + 9.5%) for the CRB),
 - b. Payable for a period of up to 24 months, or for the equivalent of 24 months during a 48 month period,
 - c. Payable up to age 65, and
 - d. Subject to a waiting period of 30 days (default) or 90 days.
- 2.16 Premiums for income protection benefits are based on the member's age (previously 0.2% of salary for all members prior to September 2018). The premiums for income protection are included in Appendix C.
- 2.17 Income protection insurance is provided automatically to most members of Triple S. Casual members are not automatically provided with income protection insurance but can elect to be covered (subject to evidence of good health), and members with income protection elsewhere may opt out of income protection insurance (excluding police and ambulance members until age 60).

Future changes to insurance offering and experience

- 2.18 We are aware that Super SA is currently considering the future delivery model for insurance in superannuation, one option of which is to outsource the insurance arrangements to a registered life insurer. This report is based on the current products and self-insurance arrangements as at 30 June 2019.
- 2.19 Effective 1 July 2019, the government introduced the Protecting Your Super (PYS) Package. This package was intended to protect members' superannuation accounts from being eroded by fees and insurance

costs. The key change to insurance was that inactive accounts (inactive greater than 16 months) must have their insurance cover cancelled.

- 2.20 The government added further measures, effective 1 April 2020, when they introduced the Putting Members' Interests First (PMIF) legislation. PMIF requires that members can only be automatically provided basic cover if they are age 25 or over, have an account balance of \$6,000 or greater and are receiving employer contributions. RSE Licensees may exclude members from these if they have been certified with a dangerous occupation certificate.
- 2.21 If Super SA were to implement the PYS and PMIF changes, any impacts would not have been observable in this review as they come into effect after the valuation date. However, the broad impact across the industry has been that these measures have resulted in increased premiums and reduced cross-subsidies as the risk pooling ability of funds has diminished due to younger members not being provided with insurance cover until much later (or until they actively opt-in to cover).
- 2.22 There is likely to be significant impacts and losses to the life insurance industry as a result of the COVID-19 pandemic, including indirect effects. Given the low level of infection rates experienced in South Australia it is unlikely that Triple S has experienced many claims relating to COVID-19 to date, although this may change in the future. In the wider insurance industry there will likely be an increase of death and disability claims as a direct result the virus and as a result of the rising unemployment and economic slowdown. Studies have shown that the level of disability claims are correlated with the unemployment rate and with an expected economic slowdown the number of claims is expected to increase.
- 2.23 Similarly, experience for income protection is expected to worsen as ongoing claimants may have to be extended as there are few jobs available to prove on-going capacity to work. Also, due to lockdown regulations across Australia it is expected there will be an increase in claims relating to mental illnesses conditions.
- 2.24 With ongoing uncertainty in the economy, the life industry expects an increase in applications for cover as a result of community concern around the future impacts of COVID-19. It remains unclear what the impact of pandemic exclusions (or absence of) will be on premium rates, and any flow-on effects such as to the availability and affordability of reinsurance.
- 2.25 As the COVID-19 pandemic occurred after 30 June 2019, the impacts of this are not covered in this investigation. However, it is likely that there will be an increase in insurance claims as a result of either the virus or resulting economic environment for FY2020 at least, though the extent of this is too early to determine. We note that the associated investment market downturn has already impacted reserves. Since 30 June 2019 Super SA's balanced fund (where the reserves are invested) has fallen 7.2% to 31 March 2020.

Next review

- 2.26 The next review will take place at a date no later than 30 June 2022, to be completed within 12 months as required by the Act .
- 2.27 If, before the next review is due to be completed, any of the following events occur whilst the fund continues to self-insure we recommend the ongoing appropriateness of the self-insurance arrangements be reassessed:
 - a. A significant change in the insured membership profile (e.g. 20% increase/decrease)
 - b. A significant change to the benefit design
 - c. The Board assesses that there has been a significant change in the cost of administering the insurance arrangements that could potentially impact on the premiums of all members
 - d. There is subsequently determined to be material changes in the data on which this investigation has been based (where that information would have been known at the date of this investigation).

Statement of compliance

- 2.28 The report has been prepared in accordance with the Code of Conduct and having consideration for Professional Standard 400, issued by the Institute of Actuaries of Australia.

3. Data

Data provided

- 3.1 The data was provided by Super SA via excel files, containing details of all members of Triple S who were covered for insurance between 1 July 2014 and 30 June 2019, as well as claims that were incurred (or commenced in the case of income protection benefits) since 1 July 2014.
- 3.2 The change of administration system (from Superb to Bluedoor) in May 2018 meant that additional data was available for this investigation compared to that from prior years. This additional information enabled us to refine our analysis approach, particularly in relation to IBNR assumptions. This is discussed further in the next section.
- 3.3 The change in administration system posed challenges for the fund in compiling a complete and consistent record of insurance member data and claims for the four-year period to 30 June 2019. We are aware the transition has meant information has been extracted from both systems (Superb and Bluedoor) for this investigation. We have observed data inconsistencies, however we do not believe these would fundamentally change the conclusions of this review. If the information provided is subsequently determined to be significantly inaccurate, you may need to seek advice as to whether this would materially impact on the findings of this investigation.
- 3.4 The claims data was advised to contain details of all members who claimed between 1 July 2014 and 30 June 2019 and were paid up to when the data was received (March 2020). In addition, we received claims management data in January 2020 which contained information for claims in various stages of processing (including approved but not paid, pending and declined claims).
- 3.5 We carried out some high-level data validation checks and note some possible data inconsistencies as follows:
 - a. The death and TPD claims data⁶ for the year to 30 June 2015 showed 146 claims, compared with 151 claims in the data received for the 2016 investigation (before an allowance for incurred but not reported claims). We are not aware of a reason for claim numbers in 2015 to have reduced retrospectively. The 2015 claims data has not been used to determine the claims experience for this investigation (we have used a four-year period 2016-19) so this has not had an impact on the results of the investigation
 - b. The death and TPD claims data for the year to 30 June 2018 showed 130 incurred claims. This compares to 182 claims in 2016, 171 claims in 2017 and 131 claims which have already been reported to the fund for 2019 (noting there will be a delay for 2019 claims which can be reported up to 2 years following an incident so this figure will increase). We are not aware of a reason for this dip in claims in 2018, however we note claims can be expected to fluctuate from year to year.
- 3.6 Subject to the comments above, we believe that the data used for the investigation is reasonable. However we do not assume any responsibility for the accuracy or completeness for the data provided to us.
- 3.7 If the information provided for this investigation is subsequently determined to be substantially inaccurate, you may need to seek advice as to whether this would materially impact on the findings of this investigation.

Approach

- 3.8 This investigation covered the four-year period to 30 June 2019 (investigation period). The previous investigation covered the four-year period up to 30 June 2016, so the investigations overlap by one year. We considered this useful as a way of checking on the consistency of the two investigations.
- 3.9 We note that some information provided for the period before 30 June 2016 has been updated since the previous investigation, and hence the 2016 results have been updated from those in the February 2017 report. We don't believe this will have a material impact to the overall results and consider the update to be a refinement on the 2016 results as it is based on more up-to-date information.

⁶ Note: references to "TPD claims" throughout this report include terminal illness

- 3.10 We extracted relevant data from the information provided and analysed the claims experience separately for death and TPD insurance and income protection, for each of the four years of the investigation, and for the whole period.
- 3.11 We compared the claims management data with the paid claims data in order to make an allowance for pending and approved but not paid claims in the analysis.
- 3.12 As mentioned above, Bluedoor stores two key date fields in relation to death and TPD claims which were not previously available; claim incident date and claim notification date.
- 3.13 In previous investigations we estimated incident date based on the last date of employer contributions or insurance premiums paid. For this investigation we have used the incident date provided in the claims data and, where not available, we have used the earliest date recorded in relation to the claim (e.g. notification date, date of last contribution received).
- 3.14 The availability of the claim notification date has allowed us to refine our IBNR approach, where we previously used payment date as a proxy for reported date. This is discussed in more detail with section 4.
- 3.15 As data extracted from Bluedoor is per policy (e.g. default cover and voluntary cover is separated), rather than per member (as was the case with Superb), we have combined members with multiple policies for 2018 and 2019 (for both membership and claims data) so that it is consistent with previous years. We believe this is appropriate as it is likely when a member is eligible for a claim that the claim will cover all of the member's policies (e.g. default and voluntary cover).
- 3.16 Members with "Death Cover ###" of more than zero in the data are considered insured members for death and TPD for the applicable year (where "###" refers to the applicable financial year and "Death Cover ##" contains the amount of cover). This resulted in the exclusion of 8,989 members where their "Death Cover ##" was zero for the four year period to 30 June 2019.
- 3.17 Members with a salary of more than zero and an income protection flag of "Y" (based on the "cl_ttd##" data field) are considered insured members for income protection for the applicable year. This resulted in the exclusion of 1,276 members for at least one year who were covered for income protection over the four-year period to 30 June 2019, where their salary was nil. We note that the number of members excluded for this reason has reduced significantly since moving to Bluedoor in 2018 (631 in 2016 down to 21 in 2019)
- 3.18 We have assumed death and TPD claims without a benefit type are death benefits (1 claim).
- 3.19 We have analysed the income protection data together for both waiting periods (30 and 90 days) as the number of policies with 90 day waiting periods was not large enough to warrant separate analysis – out of a total of 92,447 members as at 30 June 2019 only 67 members had a policy with a 90 day waiting period.
- 3.20 Similarly, as there is a limited number of members with the new fixed benefit cover (345 members at 30 June 2019), and premium rates are based on standard cover, we have included these members in the analysis of standard cover members.
- 3.21 We grouped the data into five yearly age groups, as in the previous investigations, because there is insufficient data to produce meaningful results for individual ages.
- 3.22 We have examined the experience both by number of claims, and by amounts of insurance.

Death and TPD

3.23 A summary of the data as 30 June 2019 in respect of death and TPD insurance is set out below, separated by cover type.

	Standard default only							
	3 Units	Police and ambulance ¹	Other units ²	Voluntary	Total standard	Fixed cover	Legacy fixed cover	Total cover
Number of members³	95,707	4,016	3,136	8,539	111,398	345	5,153	116,887
Total cover (\$m)	13,289	1,370	240	2,340	17,239	188	2,406	19,833
Average cover (\$)	138,854	341,053	76,461	274,086	154,753	543,623	466,976	169,664
Total units	287,121	24,096	6,306	74,417	391,940	18,755	32,109	442,804

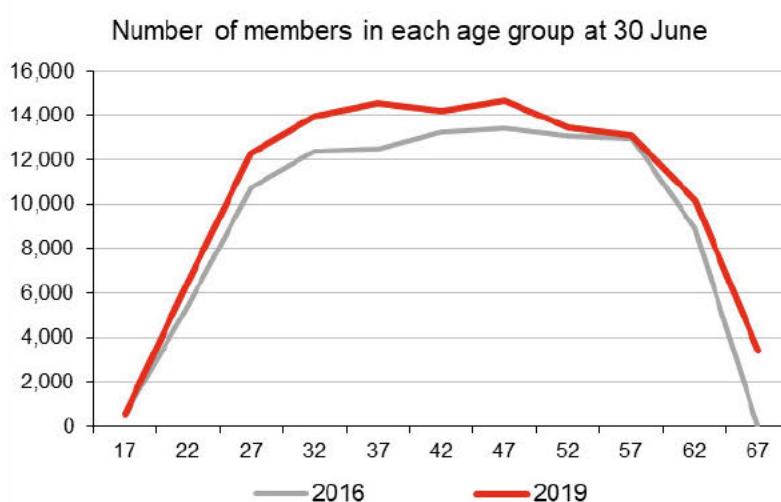
¹ Police and Ambulance members are automatically covered for 6 units of death & TPD.

² Other units have been taken as default cover (and therefore eligible for subsidy) where these have been labelled as "BASDDTPD" (i.e. base standard death & TPD) policies in the data provided.

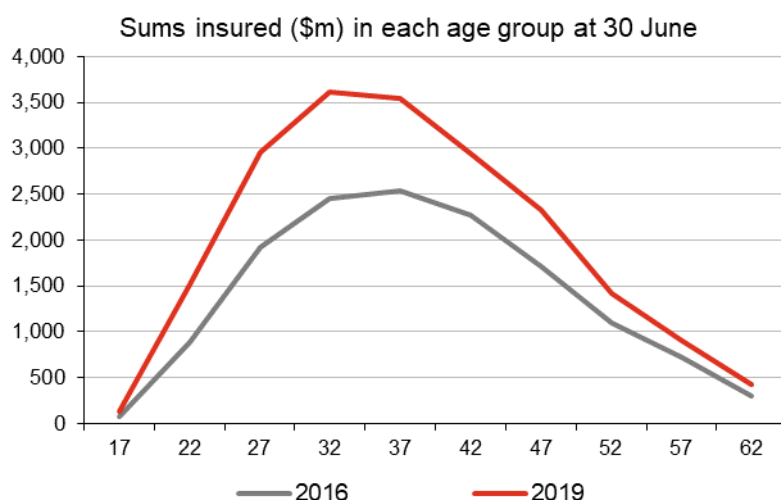
³ The number of members in each category do not sum to the total due to 9 members having both standard and fixed cover policies.

3.24 The number of insured members increased to 116,887 as at 30 June 2019, compared to 103,112 at 30 June 2016. We note that the number of insured members at 30 June 2016 for the previous review was 106,291 (3,179 higher), which is potentially due to the processing delay for resignations. A similar decrease in the number of insured members may be expected as at 30 June 2019 as updated data becomes available, although due to the delay in receiving the insured member data for this investigation the extent of this decrease is likely to be less pronounced.

3.25 The overall age distribution has remained relatively unchanged, noting the addition of insured members aged 65 to 70 at 30 June 2019, as shown below.



- 3.26 In contrast, the sum insured by age has increased significantly over the period, as shown below, from an average of \$135,376 at 30 June 2016 to \$169,677 at 30 June 2019 (25%).



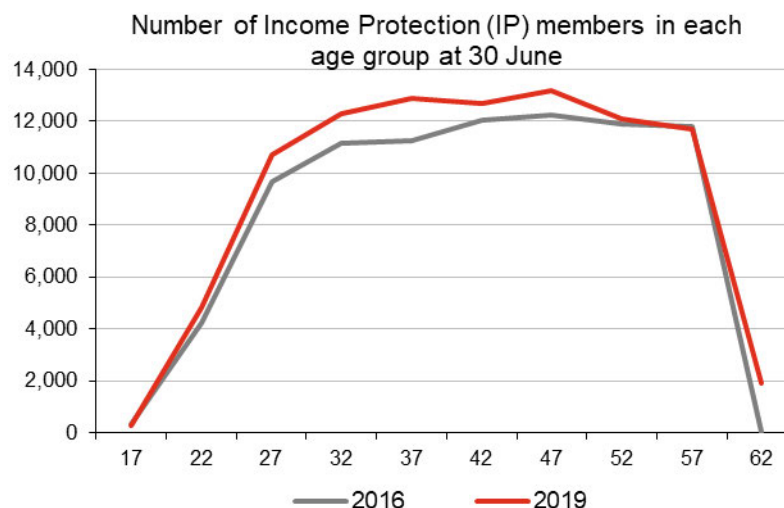
- 3.27 The total sum insured increased 42% to \$19.8 billion as at 30 June 2019, from \$14.0 billion as at 30 June 2016:
- The increase is largely due to a 30% increase in total sum insured from 2018 to 2019, due to default death and TPD increasing from 2 to 3 units
 - A small proportion of the increase is due to cover being extended to members aged 65 to 70 from September 2018 onwards.

Breakdown of cover types

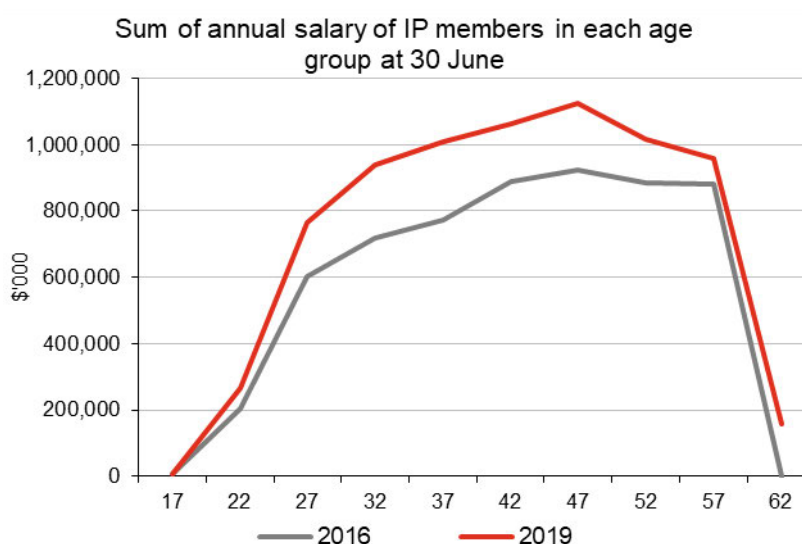
- 3.28 Standard cover:
- Represents 95% of total members (95% in 2016)
 - Default members represent 75% of sum insured (61% sum insured in 2016), whereas voluntary represents 12% of sum insured (20% sum insured in 2016)
 - Accounted for 568 claims (93% of total number and 69% of total claim amount) during the investigation period
- 3.29 Legacy Fixed cover members:
- Represent 4% of total members, but 12% of the total sum insured (6% of total members, 19% of total sum insured in 2016)
 - Accounted for 47 claims (7% of total number and 31% of total claim amount) during the investigation period (37 claims and 6% of total number and 26% of total claim amount in 2016).
- 3.30 New fixed benefit members:
- Represents close to 1% of total members and 1% of sum insured
 - Accounted for no claims during the investigation period.
- 3.31 The Triple S Insurance Scheme consists mainly of active members in the Triple S fund (approx. 99%). Other groups include:
- Flexible rollover product
 - Spouses
 - Salary sacrifice
 - SA Select.
- 3.32 Throughout the report, the claims experience refers to all members unless stated, as the number of members (and claims) in each subgroup (fixed, voluntary and other groups) is too small to be statistically significant if analysed separately.

Income protection

- 3.33 The number of members with income protection cover has increased 9% from 84,588 members as at 30 June 2016 to 92,543 members as at 30 June 2019; the total salary of members with cover increased 24% (from \$5.9bn to \$7.3bn). A small proportion of this increase is due to the extension of cover to members up to age 65 from September 2018, previously age 60 (total of 1,884 members as at 30 June 2019)
- 3.34 We note that the number of insured members at 30 June 2016 for the previous review was 87,516 (2,928 higher) which is potentially due to the processing delay for resignations. A similar decrease in the number of insured members may be expected as at 30 June 2019 as updated data becomes available, although due to the delay in receiving the insured member data for this investigation the extent of this decrease is likely to be less pronounced.



- 3.35 The average income protection benefit for insured members is \$64,848 per annum as at 30 June 2019, based on 82.125% of the average salary of \$78,963. This has increased 4.3% per annum from 30 June 2016 when the average benefit (based on 75% of salary) was \$52,175 (average salary \$69,566). Part of this increase is due to the introduction of the contribution replacement benefit.



4. Death and TPD experience analysis

Adjustment for incurred but not reported (IBNR) claims

- 4.1 The data provided was effective at 30 June 2019 and was produced in April 2020. This means that a number of claims which occurred prior to 30 June 2019 are not included in the data, because they have yet to be reported, or are still being processed. We need to estimate and include the value of these claims, to ensure we capture all claims occurring in the period under review. This is similar to the way in which accounts need to include expenses which have been accrued but not yet incurred.
- 4.2 The claims data included claims which were incurred prior to 30 June 2019, that were not known at this date, but had been reported by the time the data was produced in April 2020. As a result, when setting our IBNR allowance we have assumed that the claims data provided includes all claims reported to 31 December 2019, to avoid double counting the claims over this period. This is a conservative approach as the claims data also includes some claims to 31 March 2020. The reason for using 31 December 2019 rather than 31 March 2020 is that some claims may be delayed in being transferred from the claims management data to Bluedoor (e.g. claims with longer processing times due to delays or disputes). The exact implications of this approach are discussed in more detail below.
- 4.3 We analysed the historic delay between the date a claim was incurred and the date it was reported to the fund, using the notification date held in Bluedoor. This is an update to the previous approach, which used date of payment as a proxy for reported date, as notification date was not available. This means that the claim processing time is no longer included in the delay period used for IBNR and overall this change has resulted in a lower IBNR allowance.
- 4.4 Funds are continuing to receive more late claims, particularly for TPD. This is due in part to increased member engagement and awareness, and a continued presence of legal firms in claims. Triple S has a unique "sunset" condition regarding the delay with which TPD claims can be reported to the fund (two years) which limits the notification period for these claims.
- 4.5 A 2016 study of group risk insurance undertaken by Rice Warner showed that the average delay in reporting a TPD claim for a Public Sector fund was 15 months, and over 20 months across Industry funds. For income protection claims the study found that the average notification delay was over 3 months for Public Sector funds and 11 months for Industry funds.
- 4.6 Super SA's experience mirrors this, as we have seen TPD and death claim delays indicating an increasing number of late claims in more recent years. The results are summarised in Appendix B.
- 4.7 A review of claims advised to have been incurred in 2016 (based on data in 2019) showed the potential claims (23 claims) and IBNR (84 claims or 66% of claims) allowance that was included for the 2016 investigation was higher than the resulting experience (85 claims in addition to the 97 already notified at 2016, resulting in 182 actual claims for 2016).

	2015	2016	Total
Claims in 2016 data (unadjusted for IBNR)	151	97	248
Potential claims¹ (% of claims in 2016 data)	4 (3%)	23 (24%)	27
IBNR claims² (% of claims with potential)	23 (15%)	84 (70%)	107
Number of expected claims³ (% increase of unadjusted claims)	179 (18%)	204 (110%)	383
Actual claims in 2019 data⁴	146	182	328
Actual/Expected	82%	89%	86%

¹ Potential claims are claims arising from pending and declined claims at 30 June 2016, assuming 90% of all TPD claims will be approved. 18 claims that were declined or pending to 30 June 2016 were subsequently approved. This compares to an allowance of 27 potential claims.

² IBNR claims are determined as 70% of the known 2016 claims and 15% of 2015 claims, after allowing for potential claims, e.g. for 2016: (97 + 23) x 70% = 84 IBNR claims.

³ Totals may not add due to rounding as IBNRs not applied as whole numbers

⁴ Note that 2015 claims in the 2019 data were lower than in the 2016 data (see section 3.4)

- 4.8 Overall, after allowing for potential and IBNR, actual claims were 18% lower than expected in 2015 and 11% lower in 2016.
- 4.9 As mentioned previously, we allow for claims incurred but not reported for up to two years prior to the investigation date. As the data was extracted sometime after 30 June 2019 a number of claims incurred prior to and reported after 30 June 2019 are already known and included in the claims data. Therefore, our IBNR allows for claims with delays of 6 to 24 months for 2018 and 2019 (as opposed to 0 to 24 months for previous investigations when data was extracted closer to 30 June)⁷.
- 4.10 Based on the observed delay pattern, review of 2016 IBNR allowance and industry trends, the IBNR allowance for 2019 has been determined as follows:

% of known claims	2018	2019
Death potential claims	0%	22%
TPD potential claims	24%	43%
Death IBNR	2%	15%
TPD IBNR	11%	30%

- 4.11 So for TPD claims for 2019, allowances for pending and declined claims which may be approved in the future is estimated at 43% of claims known at 30 June 2019, and claims which have been incurred but not reported are assumed to be 30% of the claims known at 30 June 2019.

⁷ We note that claims must be reported within two years of the incident occurring.

- 4.12 The following table shows the impact of potential claims and IBNR assumptions on total death and TPD claim amounts over the review period:

Claims known at 2019 (\$'000)	2016	2017	2018	2019	Total
Amount of claims (unadjusted)	12,792	17,304	10,002	13,658	53,755
Amount of potential claims¹	0	0	1,470	5,145	6,615
Amount of IBNR claims	0	0	700	3,582	4,283
Amount of claims² (with potential and IBNR)	12,792	17,304	12,172	22,385	64,652
Total potential and IBNR allowance	-	-	22%	64%	

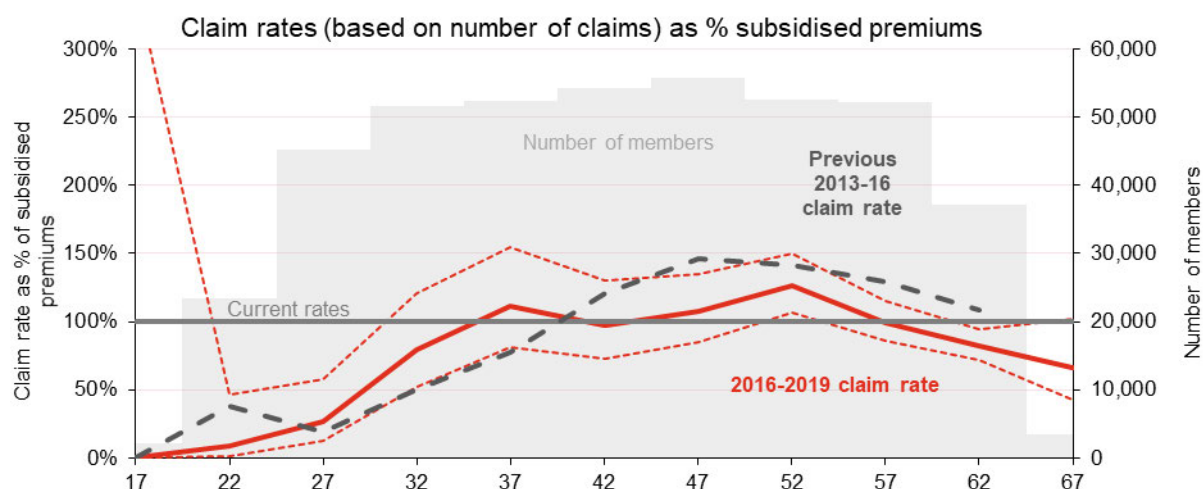
¹ Potential claims are claims arising from pending and declined claims at 30 June 2019, assuming 95% of all claims will be approved, based on the average claims size (\$105,000).

² Totals may not add due to rounding as IBNR not applied as whole numbers

- 4.13 We have increased the average claim size assumption to \$105,000 (previously \$80,000 for the 2016 investigation) for death and TPD claims when allowing for potential and IBNR claims. This is in line with the increase in average claim size to 2019 and reflects the increase in default cover.
- 4.14 The potential claim amount of \$5.1 million in 2019 is based on 49 potential claims and an average claim size of \$105,000. Similarly, the estimated IBNR of \$3.6 million in 2019 is determined based on approximately 28 IBNR claims. Please refer to Appendix B for more details on the number of death and TPD claims and allowances for 2016-19.
- 4.15 The overall claims amount (including potential and IBNR) has increased from \$12.8 million for 2016 to \$22.4 million for 2019 (75% increase or 21% p.a.). This is somewhat due to the increase in default units which has driven an increase in total sum insured of 42% from 2016 to 2019, or 12% p.a. (from \$14.0 bn to \$19.8 bn). The remaining increase is due to increased number of insured members and higher claim rate in 2019 compared to 2016 (see 4.29 below).
- 4.16 The frequency of claims has remained unchanged since the 2016 investigation, with 0.17% of members claiming over 2013-16, the same as over 2016-19.
- 4.17 The allowance for IBNR claims is \$4.3 million of known claims incurred in 2018 and 2019, which is significantly lower than the \$8.6 million allowance in 2016, for three main reasons:
- The claim data has been provided much later for this investigation than for previous investigations, meaning a significant proportion of delayed claims are already known so do not need to be allowed for in the IBNR estimate. The 2019 claims which were notified after 30 June 2019 represent \$2.0 million, which would otherwise be allowed for via the IBNR allowance if the data was available closer to the investigation date
 - The IBNR allowance is therefore based on the proportion of claims with longer reporting delays (6+ month delays)
 - The data changes discussed above have meant we now have a more accurate measure of the claim notification delay (based on the period from the date of incident to date of notification to the fund), as opposed to the previous approach which included some time for claim processing also. The effect has been to reduce the delay period and therefore IBNR allowance all other things equal.
- 4.18 The actual IBNR could still be higher than \$4.3 million (which is based on past experience). As the results are sensitive to this key assumption it is prudent to acknowledge this amount may vary in practice. If it was 50% higher the IBNR allowance would increase by \$2.2 million. We have made an allowance equal to this in the IBNR under-estimation reserve. We note this does not represent the upper range of all possible outcomes.
- 4.19 The number of claims and amount of claims following this point in the report include the IBNR and potential claims allowances (unless advised otherwise).
- 4.20 The effect of the IBNR on the actual number of claims for death and TPD Insurance for 2016-19 is detailed in Appendix B.

Claims experience by number of claims

- 4.21 The claim rates for death and TPD Insurance, based on the number of claims and the number of insured members, are shown below:



- 4.22 By way of explanation:

- The solid red line shows the 2016-19 claim rate as a percentage of subsidised premiums (subsidisation on default units only). For example, if the red line is showing 50% of subsidised premiums this means the claim rate was half the amount of premiums for that age group. A breakdown is shown in Appendix B
- The dotted red lines show the “95% confidence interval”, i.e. the true claim rates should be somewhere within the dotted lines with a 95% probability
- The shaded bars in the background show the number of members in each age group. The dotted confidence intervals are narrowest where there is the most data
- The grey dashed line shows the previous claim rates from the 2013-16 investigation (average claim rate of 0.17% of number of members). The 2013-16 claim rate is shown as a percentage of \$0.75 per unit per week premium (as all units were subsidised).

- 4.23 Death and TPD cover was extended to cover members aged 65 to 70 from September 2018. The number of insured members aged 65 to 70 is therefore as at 30 June 2019, whilst the number of members at all other ages are based on 4-year averages (2016-19). The claim rate for ages 65 to 70 is based on claims incurred in the year to 30 June 2019 (10 months from September 2018), whilst all other claim rates are 4-year averages. The confidence interval widens for 65 to 70 year olds, reflecting low numbers of insured members and claims.

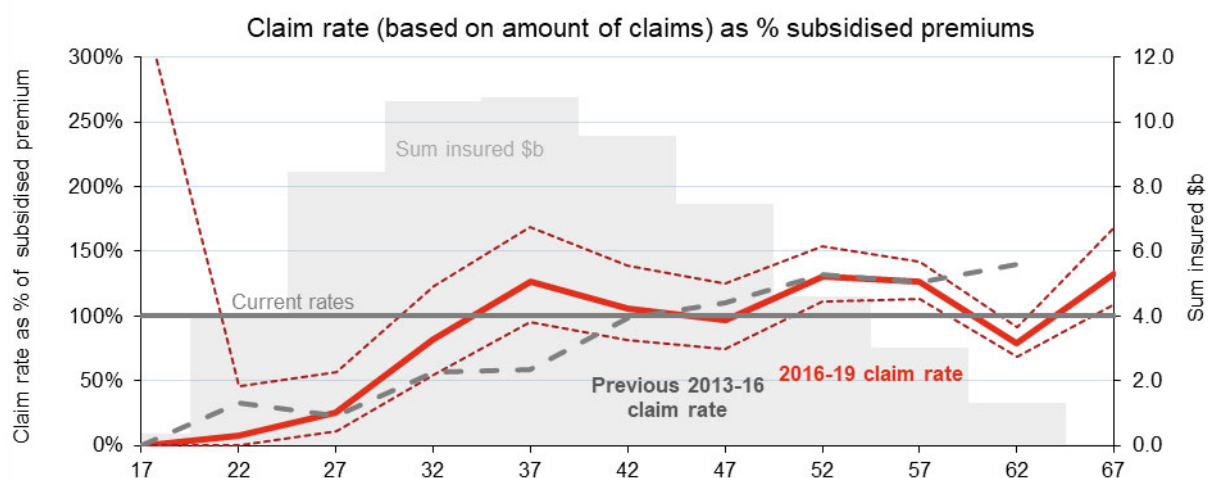
- 4.24 The graph shows that the 2016-19 claim rate based on number of claims exceeds the premiums for members aged approximately 35 to 40 and 45 to 55 but is lower than premiums at all other ages.

- 4.25 Over the review period, the claim rate remained relatively stable with a 2016 claim rate of 0.18% of members insured to 0.18% for 2019, noting some volatility in intervening years. Similarly, the average claim rate over the 4-year period (2016-19) remained stable compared to the previous 2013-16 period at 0.17%.

Claims as % of members insured					
2013-16 total	2016	2017	2018	2019	2016-19 total
0.17%	0.18%	0.16%	0.15%	0.18%	0.17%

Claims experience by amount of claims

- 4.26 The claim rates for death and TPD Insurance, based on the amount of claims and the sum insured, are shown below:



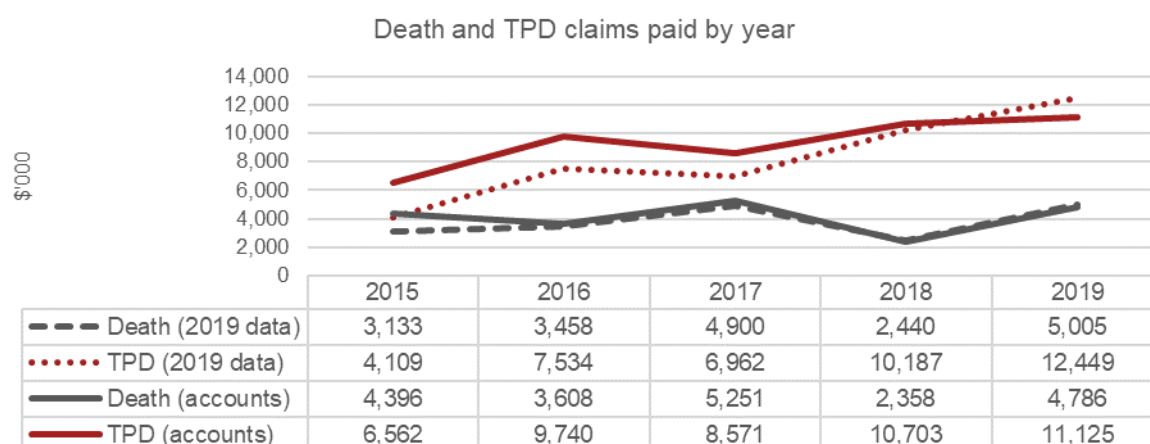
- 4.27 The claim rate based on amount of claims exceeds the premium rate for members aged between 35 and 42 and for the majority of members over approximately age 47. The claim rate based on amount of claims is lower than the premium rate for members under age 35 and for the small number of 60-65 year olds, indicating that these members are paying more in premiums than their expected claim cost.
- 4.28 The shape of the claim rate for 2016-19 (solid red line) has flattened compared to the 2013-16 claim rate, showing that the claim rate over this period has been closer to premiums paid by the members, and that the age-based cross-subsidy has reduced. While the claim rate remains sloping upwards there remains inherent cross-subsidies in the premium structure.
- 4.29 The cost of claims (including IBNR) has marginally increased from 0.09% for 2013-16 to 0.11% for 2016-19.

Claims as % of sum insured					
2013-16 total	2016	2017	2018	2019	2016-19 total
0.09%	0.09%	0.12%	0.08%	0.13%	0.11%

- 4.30 We discussed in section 3 the experience observed with regards to claims for 2018 (being inconsistent with surrounding years). We note if there are a number of claims which were not available in the data provided then this will increase the claims rates for 2018 and in turn the overall claim rates for 2016-19.

Claims payment experience

4.31 The chart and table below compares the amount of claims paid from the accounts to the data provided for this investigation.



Claim payments from accounts based on reconciliations with financials provided by Super SA in excel spreadsheets

4.32 We note the paid claim amounts from the data for 2015 and 2016 above are understated as they do not include claims incurred prior to 1 July 2014 whereas the accounts include all paid claims for those years.

4.33 Based on the figures from the accounts there is a clear increase in the number of TPD claims paid. The amount of death and TPD claims paid has increased 32% (from \$13.3m in 2016 to \$15.9m in 2019). This is partly due to there being more insured members and an increase in the average claim size.

Number of claims (2019 data) ¹	2015	2016	2017	2018	2019
Death paid in year	30	51	57	42	60
TPD paid in year	59	106	96	97	125
Total paid in year	89	157	153	139	185
Death claims in year	55	49	61	51	52
TPD claims in year	91	133	110	79	79
Total claims in year	146	182	171	130	131

¹ Payments are the actual payments made in a year, whereas claims incurred are the claims that arise in any year but due to the assessment process may be paid out in later years

4.34 For 2015 and 2016, paid and incurred figures are significantly different to those in the 2016 report because:

- We only received claims incurred from 1 July 2014 onwards the claims paid (numbers and amounts from the database) in 2015 and 2016 shown above are understated as they do not include claims incurred prior to 1 July 2014 but paid in 2015 and 2016.
- The number of known claims incurred in 2015 is lower than in the 2016 data (151 claims) as discussed in section 3 above.
- Updated information reassigning claims to different years, and/or approving previously declined/withdrawn/deferred claims, or vice versa.
- New claims arising which hadn't been reported at the time of the 30 June 2016 investigation.

Death and TPD analysis by 'Group'

4.36 The insurance data enables analysis by pre-defined groups; however these designations do not allow for occupational analysis. The table and chart below detail the results for each group.

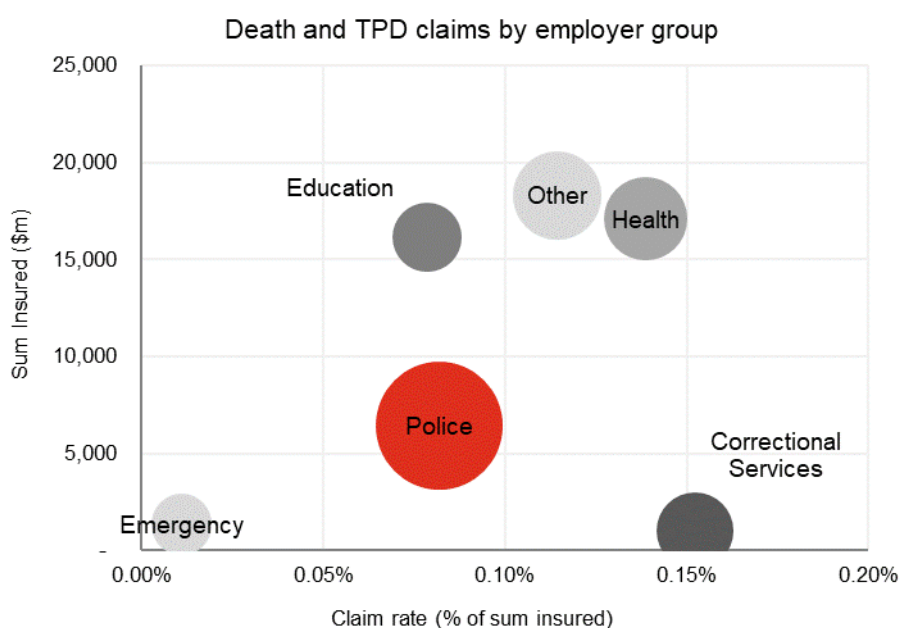
Group	Sum insured 2016-19 (\$bn)	Number of claims 2016-19	Total claims 2016-19 (\$m) ¹	Claim rate 2016-19 (% of sum insured)	Average claim size
Health	17.0	261	23.7	0.14%	90,600
Education	16.0	203	12.7	0.08%	62,500
Police	6.4	25	5.3	0.08%	211,700
Correctional Services	1.0	20	1.5	0.15%	77,500
Emergency	1.3	3	0.1	0.01%	48,800
Other	18.3	205	20.9	0.11%	102,200
No group	-	2	0.4	-	225,000
Overall	60.0	719	64.7	0.11%	90,000

¹ Includes potential claims and IBNR allowance.

4.37 The analysis shows, similar results to previous years:

- Correctional Services had the highest claim rate, though the actual claim rate (once all claims are known) is highly uncertain due to statistically small number of claims
- Police had the largest average claim size due to higher level of default units (6 units compared to 3 units for other members)
- Overall average claim rate 0.11% and claim size \$90,000 (0.09% and \$69,650 in 2016)
- All rates are indicative only as the small number of claims per group makes rates unreliable.

4.38 The chart below illustrates these results, where the size of the bubble represents the average claim size.



5. Income protection experience analysis

- 5.1 As with death and TPD, the income protection data provided to us does not include all the claims which were incurred prior to 30 June 2019. We therefore need to adjust the data to allow for additional claims which will be reported to the fund after 30 June 2019 relating to incidents incurred prior to that date.
- 5.2 There are two types of adjustments for income protection claims:
- Incurred by not reported (IBNR) provisions are made for claims that are not reported or finalised for some time after they occur, and would otherwise be represented in the claims experience under review
 - Incurred but not enough reported (IBNER) provisions are made where the duration of income protection payments is potentially longer than the date of the next review.

Adjustment for incurred but not reported (IBNR) claims

- 5.3 As there is no accurate proxy for incident date with income protection claims, IBNR and IBNER are approximated based on observed claim amounts per month and delay patterns.
- 5.4 For the 24 months to 30 April 2019 income protection claims averaged 44 claims per month. As claims in the later months of 2019 are yet to develop, targeting 44 claims for these months result in an IBNR of 6% of the observed claims for 2019. The IBNR for 2016 was 10% of claims (targeting 38 claims per month for the months leading up to 30 June 2016). As with death and TPD, we expect the IBNR allowance to be lower for this investigation due to the later date the data was provided (and hence more delayed claims are now included in the data).
- 5.5 The number of income protection claims adjusted for the expected number of incurred but not reported claims is as follows:

Claims to 30 June 2019	2016	2017	2018	2019	Total
Number of claims (unadjusted for IBNR)	456	500	542	504	2,002
IBNR claims allowance	0	0	0	30	30
Number of claims (with IBNR)	456	500	542	534	2,032
IBNR allowance	-	-	-	6%	

- 5.6 A review of claims advised to have been incurred in 2016 (based on data in 2019) showed the IBNR (43 claims) that was included for the 2016 valuation was higher than the actual experience (28 claims in addition to the 428 already notified at 2016, resulting in 456 actual claims for 2016).

Adjustment for incurred but not enough reported (IBNER) claims

- 5.7 The claims data includes the date on which income protection payments will cease, or, if the date is beyond the date on which data was extracted⁸, the date on which the member's medical condition will next be assessed. Clearly, many claims will continue beyond this date, so we need to adjust the dates to reflect the expected total payment period.
- 5.8 IBNER is estimated based on observed duration of claims. The average remaining duration for current income protection payments is estimated based the distribution of completed income protection claims.

⁸ Taken to be 31 December 2019. This is a conservative date, as some information may have been updated after this date before the data was provided in April 2020, however given potential administrative delays with updating claims statuses we believe this approach is reasonable.

- 5.9 Claims in payment, with a review date after 31 December 2019, are assumed to continue based on the following table, given their duration (months) to that date:

Current duration (months)	0-3	3-6	6-9	9-12	12-15	15-18	18-21	21-24
Remaining duration (months)	9.0	9.5	9.5	8.5	8.5	7.5	4.5	1.5

- 5.10 For example, for members who have been receiving income protection payments for 9-12 months it is estimated they will continue to receive income protection for another 8.5 months on average (so an average 19 months in total).
- 5.11 The IBNR and IBNER allowance equates to 53% of claims for 2019, 13% for 2018 and 1% for 2017. That is, \$11.5 million in total, up from \$8.8 million in 2016, as detailed below.

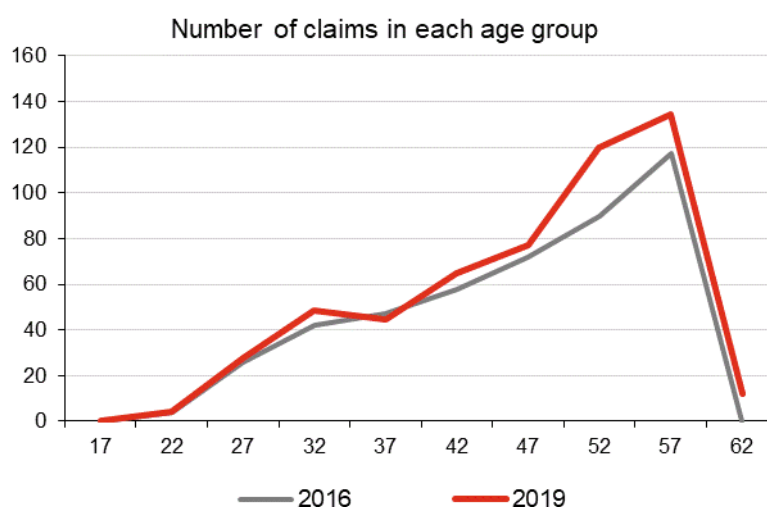
Claims known at 2019 (\$'000)	2016	2017	2018	2019	Total
Amount of claims (unadjusted for IBNR)	15,689	18,048	22,257	18,866	74,861
IBNR & IBNER claims allowance¹	-	125	1,504	9,955	11,584
Amount of claims (with IBNR & IBNER)	15,689	18,173	23,761	28,821	86,445
IBNR and IBNER allowance		1%	7%	53%	

¹ Allows for the fact that members can receive up to 24 months of IP payments during any 48 month period

- 5.12 For 2019, the \$10.0 million IBNR and IBNER claim allowance comprises:
- An IBNR allowance of 6% of claims in payment (including IBNER) to 30 June 2019 (\$1.6 million), plus
 - An IBNER allowance based on the observed duration of each claim in payment and adjusted for an estimated remaining duration (refer to table under 5.9). This equates to \$8.3 million, or 44% of claims paid in the year to 30 June 2019.
- 5.13 The level of IBNR and IBNER has reduced since the last valuation (7% for 2018 and 53% for 2019 compared to 6% for 2015 and 81% for 2016). Similar to the change in the death and TPD IBNR, this is due to the data being provided at a later date, and hence the IBNR allowance is lower as more claims reported after the investigation data are now known. However, the dollar amount of IBNR and IBNER allowance applied has increased slightly due to the higher level of known claims. The increase in claims is discussed further below.
- 5.14 The actual IBNR and IBNER could still be higher than \$11.6 million (which is based on past experience). As the results are sensitive to this key assumption it is prudent to acknowledge this amount may vary in practice. If it was 50% higher this allowance would increase by \$5.8 million. We have made an allowance equal to this in the IBNR and IBNER under-estimation reserve. We note this does not represent the upper range of all possible outcomes.
- 5.15 The number of claims and amount of claims following this point in the report include the IBNR and IBNER allowances (unless advised otherwise).

Claims experience by number of claims

5.16 The charts below show the number of income protection claims by age group, after adjustment for IBNR and IBNER, as at 30 June 2016 and 2019.

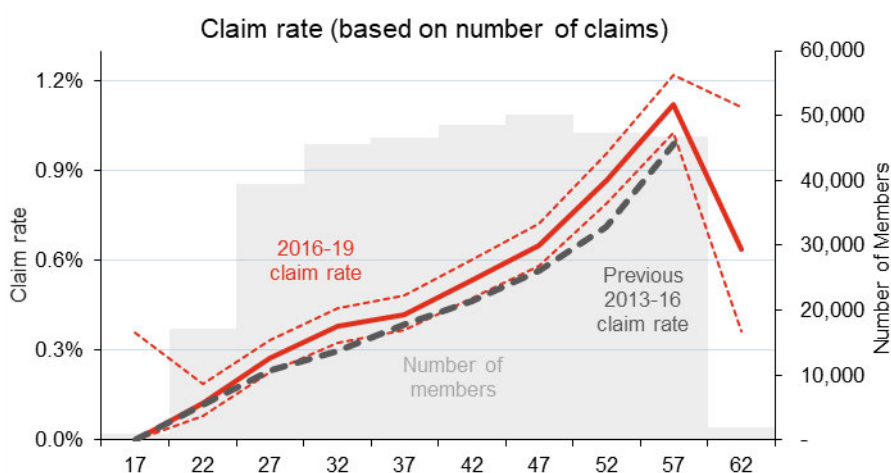


5.17 The number of claims commencing in 2019 is higher at almost every age compared to the number for 2016. This reflects an increase in the number of insured members (6% from 2016 to 2019) but more so the increasing rate of income protection claims being observed for the fund and across the industry.

5.18 The claim rates have increased since the previous valuation, especially for older members. The rate for 2013-16 was 0.51%, with a trend to increasing claims with 2016 at 0.54%. This trend has continued, with the highest being 0.63% in 2018. The claim rates, as a percentage of members, from 2016 to 2019 were as follows (includes IBNR):

	Claims as % of members					
	2013-16	2016	2017	2018	2019	2016-19
Claims	1,699	456	500	542	534	2,032
Claim rate	0.51%	0.54%	0.59%	0.63%	0.60%	0.59%

5.19 The claim rates for income protection, based on the number of claims and the number of insured members, are shown below:



5.20 By way of explanation:

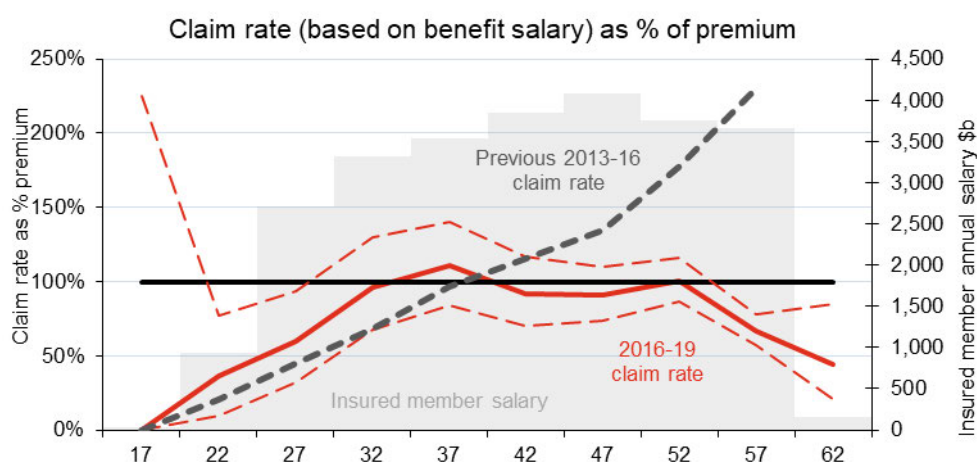
- The solid red line shows the rate of claim for each age group, based on the number of insured members in that group.
- The dotted red lines show the “95% confidence interval”, i.e. the true claim rates should be somewhere within the dotted lines with a 95% probability.
- The shaded bars in the background show the number of members in each age group. The dotted confidence intervals are narrowest where there is the most data.
- The grey dashed line shows previous equivalent rates from the 2013-16 investigation, with allowance for IBNR and IBNER.

5.21 Similar to death and TPD the claim rate for members aged 60 to 65 is based on claims incurred in the year to 30 June 2019, all other claim rates are four-year averages. The confidence interval widens for 60 to 65 year olds, reflecting low numbers of insured members and claims.

5.22 The graph above shows that income protection claim rates based on the number of claims have increased at all ages compared to those at the previous review.

Claim experience by amount of claims

5.23 The claim rates for income protection, based on the amount of claims and the salary of insured members, are shown below relative to the premium rates:



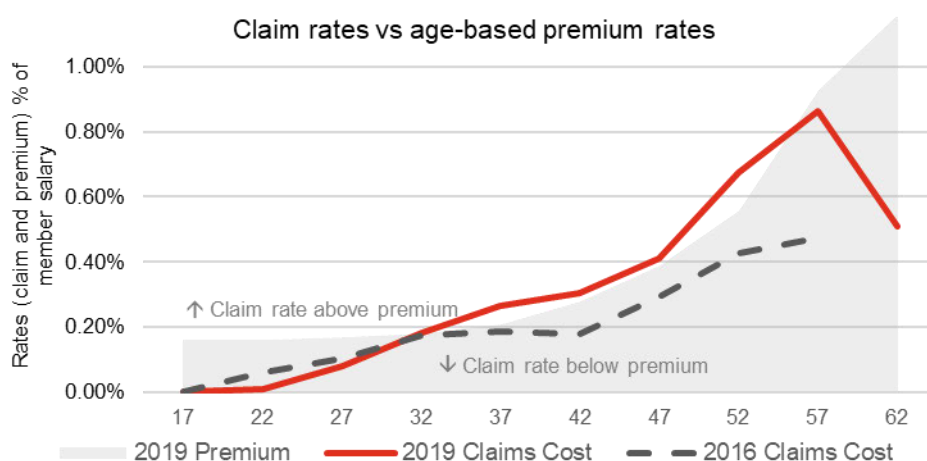
5.24 The claim rate based on amount of claims is lower than the premium rate for members under age 35 and members over age 55, indicating that these members are paying more in premiums than the amount of benefits that were being paid.

5.25 The shape of the claim rate for 2016-19 (solid red line) has flattened somewhat compared to the 2013-16 claim rate, showing that the claim rate over this period has been closer to premiums paid by the members, and that the age-based cross-subsidy has reduced. Where the claim rate is above and below the 100% line there remains inherent cross-subsidies in the premium structure; this is most evident at younger ages, noting while the claim rate for older members also shows premiums in excess of claim rates there are only a small number of claims in this age group.

- 5.26 The overall amount of claims was 0.33% of salary for 2016-19 but was as high as 0.39% for 2019. Allowing for insurance administration expenses the total cost was 0.40% for 2016-19 and 0.44% for 2019⁹. The average duration has also increased from 0.65 years to 0.75 years.

Claims as % of salary insured						
	2013-16	2016	2017	2018	2019	2016-19
Claims rate as % of salary	0.25%	0.27%	0.30%	0.35%	0.39%	0.33%
Average duration (yrs.)	0.65	0.68	0.68	0.79	0.85	0.75

- 5.27 The 2016 investigation (as with prior years) highlighted the need to move from a flat percentage of salary premium to age-based pricing so that the premium scale more closely aligned with expected claims rates. This change was implemented in September 2018 and the below graph shows the 2019 claim rates (red line) versus the age based premium rates (grey shaded); we have also shown the 2016 claim rate (grey dashed) for comparison:



- 5.28 As shown above the age-based premiums more closely match the claim rates at most ages, with the exception of members under 30 and over 57 (suggesting some age-based cross-subsidisation remains).

⁹ Estimated based on operational cost estimate as at 30 June 2019 advised by Super SA (\$3.2m for 2019).

6. Profitability

Profitability of death and TPD insurance

Industry experience

- 6.1 TPD claims continue to increase across the industry, as was the case in 2016. This is due to increased member engagement and awareness of superannuation related insurance benefits, and a continued presence of legal firms in claims.
- 6.2 Super SA's experience has mirrored this trend, with 2019 claims cost of 0.13% of sum insured, higher than the 0.11% average for 2016-19.
- 6.3 We have estimated the profitability of death and TPD rates as shown below.

Expected cost of death and TPD claims for standard and new fixed benefit cover

- 6.4 The current premium is \$1 per unit per week for standard cover, however default cover (up to first 3 units for regular members, 6 units for police and ambulance members) is subsidised to \$0.75 per unit per week from the insurance reserves.
- 6.5 As there is a limited number of members with the new fixed benefit cover (345 members at 30 June 2019) and premium rates are based on standard cover rates, we have included these members in the results of standard members.
- 6.6 Based on the claims experience for the last four years, the expected cost of claims and expenses is below \$1.00 per unit (approximately \$0.86 based on 2016-2019 claim rates) for all members.
- 6.7 However, based Super SA claims experience for 2019 alone, the expected cost of claims and expenses would be \$1.00 per unit across all members.
- 6.8 The table below illustrates the current subsidised premiums:

Expected values	2019 cover based on subsidised premiums (\$'000)	2019 cover based on premiums without subsidy (\$'000)	Difference
Default premiums ¹	13,344	17,792	4,448
Voluntary and fixed premiums ²	2,908	2,908	-
Total premiums³	16,252	20,700	4,448
Expected claims	(16,198) ⁴ to (19,201) ⁵	(16,198) ⁴ to (19,201) ⁵	-
Expenses ⁶	(2,087)	(2,087)	-
Premiums minus payments	(2,033) to (5,036)	2,415 to (588)	4,448

¹ Based on 342,148 units for members with subsidised premiums (identified as "BASSDDTPD" in the data), including subsidised units for members with voluntary cover.

² Based on 49,792 voluntary standard units and 18,755 fixed benefit units (identified as "VOLSDDTPD" (i.e. voluntary standard death and TPD) and "FBDTPD" (i.e. fixed benefit death and TPD) in the data).

³ Based on our calculation of premiums using insured members as at 30 June 2019. This is significantly higher than premiums of \$14.5m actually paid in 2019 as that reflects lower sums insured for members at the beginning of the year compared to the end of the year, due to product changes occurring in September 2018, and may be higher than actual 30 June 2019 premiums due to back-dated changes (e.g. members who have exited or need to be preserved).

⁴ Expected claims based on 2016-19 observed claim rate for Super SA and amount of sum insured as at 30 June 2019. Expected claims for standard cover and new fixed benefit cover members are about 80% of overall claims.

⁵ Expected claims based on 2019 claim rate and amount of sum insured as at 30 June 2019.

⁶ Estimate based on operational cost estimate as at 30 June 2019 advised by Super SA (\$2.2m for death & TPD for 2019 and 94% of members having standard and basic fixed cover).

- 6.9 The premium subsidy from reserves for \$0.75 per default unit per week is approximately \$4.4 million per annum.
- 6.10 Given the results above, we do not believe there is an immediate need to change the premium structure at this time, as the existing premiums remain appropriate given the current membership profile, claims experience for 2016-19 and the full cost of current premiums (\$1 per unit per week for standard and new fixed benefit cover).

Expected cost of death and TPD claims for legacy fixed cover

- 6.11 The legacy fixed cover product is no longer offered. However, existing policyholders at the cut-off date can continue to be covered under this policy.
- 6.12 The table below shows expected premiums currently exceed expected claims and expenses. However, premiums will remain fixed whereas expected claims will increase as the fixed cover members' age.
- 6.13 The excess premium should be considered as a contribution to reserves, as claims will likely to exceed premiums in the future.

Legacy fixed cover product	\$'000
Expected premiums ¹	3,786
Expected claims	(4,539) ² to (5,506) ³
Expenses ⁴	(130)
Premiums minus payments	(883) to (1,849)

¹ Based on 32,109 units and premium data provided by Super SA

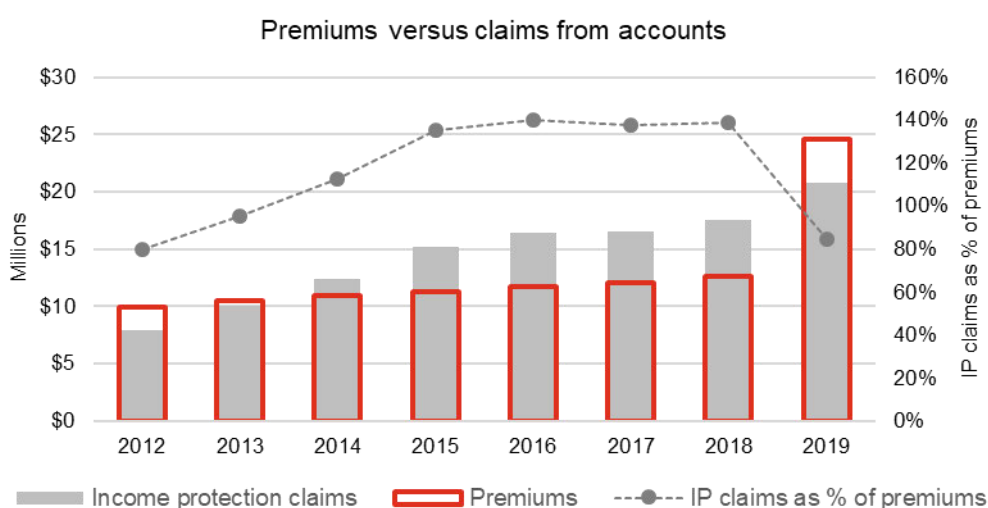
² Expected claims based on 2016-19 observed claim rate for Super SA and amount of sum insured as at 30 June 2019. Expected claims for legacy fixed cover members are about 20% of overall claims

³ Expected claims based on 2019 claim rate and amount of sum insured as at 30 June 2019

⁴ Estimate based on operational cost estimate as at 30 June 2019 advised by Super SA (\$2.2m for death & TPD for 2016 and 6% of members having legacy fixed cover)

Profitability of income protection insurance

- 6.14 Since the previous investigation, income protection premiums have changed from a flat 0.2% of salary to age-based premium rates, as shown in Appendix C. Since 2016, the claims experience has continued trending upwards, averaging 0.43% for 2016-19 and reaching 0.46% for 2019 (with IBNR and IBNER and insurance admin fee allowances).
- 6.15 As a result of the change to age-based tables, premiums increased significantly in 2019, meaning that for the first time since 2013 premiums have exceed benefits paid in that year. The chart below shows actual claims paid and premiums received based on the accounts¹⁰.



¹⁰ Note: these are actual claim payments as per accounts, and do not include allowances for IBNR and IBNER which are included in expected claims figures in 6.17 below for example.

- 6.16 The 0.39% claim rate for 2019 is lower than the current premium (0.43% of salary on average). With an allowance for expenses, the cost is expected to increase to 0.46% of salary, with a potential for further increases.
- 6.17 The table below illustrates the expected contribution to/draw from reserves for income protection insurance. Where claims costs are above premiums, the difference will be met from reserves.

	Based on 2016-19 claim rates	Based on 2019 claim rates
Expected premiums ¹	29,412	29,412
Expected claims	(24,139)	(28,821)
Expenses ²	(3,247)	(3,247)
Premiums minus payments	2,026	(2,656)

¹ Based on our calculation of premiums using insured members as at 30 June 2019. This is significantly higher than premiums of \$24.6m actually paid in 2019 as that included just under 10 months of the new age-based premiums and reflects lower numbers of insured members at the beginning of the year compared to the end of the year, and may be higher than actual 30 June 2019 premiums due to back-dated changes (e.g. members who have exited or need to be preserved).

² Estimate based on operational cost estimate as at 30 June 2019 advised by Super SA (\$3.2m for 2019)

- 6.18 We note income protection claims are increasing across the industry, driven partly by mental health claims. Further increases in income protection claims for Super SA is allowed for as an additional reserve, estimated as 50% of IBNR and IBNER estimates (\$58m).
- 6.19 Given the results above, we do not believe there is an immediate need to change the premium structure at this time, as the existing premiums remain appropriate given the current membership profile and claims experience for 2016-19.

7. Reserves

- 7.1 In the past, self-insurance was industry practice for State, Territory and Commonwealth schemes and certain large corporate superannuation funds.
- 7.2 However, the extent of self-insurance has substantially reduced in past years as APRA no longer allows self-insurance for public offer funds, because of the risks related to inadequate and unsegregated reserves and unrealistic pricing of the risks borne by the fund (as catastrophe cover and the cost of reserves is generally ignored in any pricing comparison).
- 7.3 APRA considers that life insurance companies registered under the Life Insurance Act 1995 are the best mechanism for superannuation funds to provide death and TPD benefits to members and has restricted public offer superannuation funds from self-insuring.
- 7.4 State schemes such as GESB (and previously RBF) have already converted from self-insurance to external insurance for their accumulation funds.
- 7.5 However, Triple S remains self-insured and must meet the cost of its own claims and insurance expenses. Ultimately, it is the South Australian government that carries the scheme's self-insurance risk, as there is no formal reinsurance arrangement in place. It is therefore prudent for the Board to hold substantial reserves against this risk.
- 7.6 In addition to self-insurance risk, the scheme also bears the following risks:
 - a. Catastrophe
 - b. Asset fluctuation
 - c. Underestimation of claim rates
- 7.7 Year on year fluctuations in claims experience are expected and don't pose a risk in and of themselves.
- 7.8 The Triple S scheme needs to hold reserves to mitigate these risks because it has no recourse to the employer. We propose that they be as follows.

Prudential reserve

- 7.9 A prudential reserve may include an allowance for normal statistical fluctuations in claims from time to time, volatility of outstanding claims, and protection against exceptional events.

IBNR and IBNER reserve for claims not finalised

- 7.10 Our analysis has showed that some claims are not finalised, or even reported, for quite some time after they are incurred. A provision needs to be made in the Scheme accounts for these claims.

Death and TPD

- 7.11 The previous investigation recommended holding a provision of 57% of annual premiums for death and TPD claims.
- 7.12 We have calculated a provision of 21% of annual premiums for this investigation, consistent with the approach taken for the last valuation.
- 7.13 This amounts to \$4.3 million at 30 June 2019 (\$8.6 million at 30 June 2016).
- 7.14 In addition, we have made an allowance for potential claims expected to be approved and declined claims that may be approved on appeal in proportion to observed rates. This amounts to \$6.6 million at 30 June 2019 (compared to a reserve of \$2.2 million in 2016), as can be seen in the amount of potential claims in 4.12 above. The reserve has been increased due to a higher number of potential claims, and a higher average claim assumption.
- 7.15 In total, the reserve for additional expected claims relating to the investigation period is \$10.9 million as at 30 June 2019 (compared to \$10.8 million was assumed at 30 June 2016).

Income Protection

- 7.16 Income protection requires a reserve not only for claims which have not been reported, but also for continuing payments for current claims.

- 7.17 Based on the approach outlined in this report, we estimate this at about 39% of annual premiums for IBNR and IBNER (compared to 73% for 2016), with the reduction reflecting the premium increase which occurred with moving to age-based premiums (average of 0.43% of salary at 30 June 2019 versus 0.2% of salary at 2016).
- 7.18 This amounts to \$11.6 million at 30 June 2019 (\$8.8 million at 30 June 2016).

Volatility of existing claims

- 7.19 The IBNR and IBNER are estimates based on a number of factors including industry knowledge and observed experience however there is a risk that these estimates may be higher than expected.
- 7.20 Consistent with the previous investigations, we recommend holding a reserve of 50% of the estimated outstanding claims (IBNER and IBNR). This requires an additional reserve amount of \$8.0 million in 2019 (i.e. 50% of death and TPD IBNR of \$4.3 million and income protection IBNR and IBNER of \$11.6 million; \$8.7 million in 2016).
- 7.21 We have included this reserve with the reserve for IBNR and IBNER, in the table which follows this analysis.

Fluctuation reserve

- 7.22 We estimated the random statistical variation in claim amounts for a fund of this size for death and TPD and income protection combined, which is based on additional cost arising if claims experience is two standard deviation from the observed rate of claim. This gives claim costs at 95% level of confidence. We recommend the statistical fluctuation reserve to remain at \$10 million as at 30 June 2019.

Fixed cover reserve

- 7.23 Fixed premium is currently operating at a profit but as members' age and premiums stay fixed, claims are expected to increase above the level of premiums.
- 7.24 Estimation of the reserve to be held in respect of this cohort of members has been based on the expected profit and loss assuming average claim rates will continue at current levels for 5 to 10 years. Based on this, we recommend the reserve for fixed cover members to remain at \$10 million.

Self-insurance reserve

- 7.25 Certain additional reserves are needed for the Triple S scheme because it is a self-insurance scheme.

Asset resilience reserve

- 7.26 The insurance reserve is substantially invested in equity and property assets, whose value can fluctuate significantly. We suggest that it would be prudent to allow for this by holding an asset resilience reserve which approximates the amount by which the Prudential Reserves could reduce under a modest market fall. This ensures that the true value of the insurance reserve is not overstated, even when market values fall.
- 7.27 We propose setting the resilience reserve at 15% of the prudential reserves in line with the approach in 2013 and 2016. This results in a reserve of \$7.6 million at 30 June 2019 (based on prudential reserves of \$50.5 million). This is higher than the asset resilience reserve at 30 June 2016 (\$7.2 million), due to the increase in prudential reserves.

Contingency reserves

- 7.28 The main risk is from exceptional events which can incur large numbers of claims, such as a hospital epidemic, terrorism, or judicial risk (e.g. misinforming members about their benefits). Such rare events are extremely difficult to quantify.
- 7.29 On the one hand, Triple S is self-insured, and must meet its own claims unless it can obtain financial support from government. It may be prudent for the Board to hold substantial reserves to mitigate this risk. The difficulty is in quantifying the level of protection, and the corresponding reserve required to meet it.

- 7.30 On the other hand, reserves are financed completely from insurance premiums paid by Triple S members, and it would be unfair to those members to hold excessive reserves that had very little chance of being required.
- 7.31 The Board needs to balance these two potentially conflicting interests, but the difficulty of quantifying the level of protection means this must be a matter of judgement rather than actuarial calculation.
- 7.32 As things stand, Triple S has an insurance reserve of \$165.2 million at 30 June 2019, which is some \$107 million in excess of the reserves required for prudential and asset resilience reserves. This excess represents:
- a. 1,020 additional insurance claims based on average death and TPD claim size of \$105,000
 - b. 631 additional insurance claims based on average death and TPD sum insured of \$170,000
 - c. Double the number of death, TPD and income protections claims for 2019, after IBNR and IBNER allowances, noting the prudential reserves include a 50% allowance also for underestimation of IBNR and IBNER allowances.
- 7.33 The Board has previously considered this risk and decided that a possible worst case would be a catastrophe affecting the buildings in which most Government employees work. This assessment was undertaken at the time of the 2010 review and concluded that the cost of a catastrophic event would be \$20-\$40 million. The upper bound of this range was equated to an event which affects 260 employees, assuming 130 (half) are death claims and 130 are income protection claims paid for 2 years followed by 130 TPD claims.
- 7.34 Based on current claim amounts, the contingency reserve would need to increase from \$49.0 million in 2016 to \$65.0 million as at 30 June 2019. This increase is partly due to the product changes in September 2018 including the additional default units on death & TPD and the inclusion of Contribution Replacement Benefit for income protection claims.
- 7.35 It is extremely difficult to set a contingency reserve, because by their nature, catastrophes are unexpected and can occur in many different ways, so any estimate can only be very broad and cannot take account of all possible scenarios. We believe the contingency above provides a reasonable compromise between the interests of safeguarding Triple S, and the interests of providing low cost insurance to members. The Board can maintain a contingency allowance at a different level if it believes it is appropriate to do so.
- 7.36 The current COVID-19 pandemic is another example of a catastrophe which may face the scheme. With the current level of free reserves estimated to cover an additional ~1,000 claims (or an increase in the claims for one year of five times) the existing reserves will likely be sufficient to protect against any impacts of the current pandemic, given Australia's low infection/mortality rate to date. However, the nature of "one in 100 year" events is that they are rarely dependent on the length of time since the last event, so it is prudent to ensure a suitable catastrophe reserve allowance is maintained.
- 7.37 It is extremely difficult to set a contingency reserve because, by their nature, catastrophes are unexpected and can occur in many different ways. However, we believe that a reserve at this level provides a reasonable compromise between the interests of safeguarding Triple S and the interest of providing low cost insurance to members and therefore would be applicable for at least the next three years.
- 7.38 We note that reserves are invested in Super SA's Balanced fund. This not an issue in itself but may give rise to potential liquidity issues if a substantial amount of the reserve is required to be drawn down in a short period of time (e.g. if a catastrophic event was experienced).

Reserve allocation

- 7.39 The existing insurance reserve is \$165.2 million at 30 June 2019. If we allow for the reserves above, then we have the following:

\$ million	Death and TPD	Income Protection	Total at 30/06/19	Total at 30/6/16
Insurance reserve¹	159.6	5.6	165.2	141.3
<i>Prudential Reserves</i>				
IBNR & IBNER ²	13.1	17.4	30.5	28.3
Fluctuation reserve	5.0	5.0	10.0	10.0
Fixed Cover Reserve ³	10.0	0.0	10.0	10.0
Total Prudential Reserves	28.1	22.4	50.5	48.3
<i>Self-insurance Reserves</i>				
Asset resilience reserve	4.2	3.4	7.6	7.2
Contingency reserve	26.3	38.7	65.0	49.0
Total Self Insurance Reserves	30.5	42.1	72.6	56.2
Total Prudential and Self Insurance Reserves	58.6	64.5	123.1	104.5
Expected 'free reserves'	101.0	(58.9)	42.1	36.8
Total subsidy	4.4	-	4.4	7.7

¹ Insurance reserve has been split into death and TPD and income protection accounts by Super SA (unaudited)

² Includes allowance for higher than expected IBNR & IBNR at 50%

³ Estimated based on current member cohort

- 7.40 This shows that free reserves have increased since 2016 even with the increase of contingency reserves. This is mainly due to good investment returns, which have been approximately 9.5% per annum over the three-year period from 30 June 2016 to 30 June 2019.
- 7.41 We note that since 30 June 2019 the reserves are likely to have reduced, with Super SA's Balanced fund (where the reserves are invested) falling by 7.2% to 31 March 2020. This would have reduced the free reserves by approximately \$12 million, from \$42.1 million to \$30 million.

8. Reliance and limitations

- 8.1 PricewaterhouseCoopers (PwC) has prepared this report solely for the Department of Treasury and Finance of South Australia's (the Department's) use and benefit in accordance with and for the purpose set out in PwC's agreement with the Department dated 16 July 2018. In doing so, PwC has acted exclusively for the Department and considered no-one else's interests.
- 8.2 Our work did not constitute an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements and accordingly no assurance is provided in this report.
- 8.3 This report is not intended to be read or used by anyone other than the Department or Super SA. PwC accepts no responsibility, duty or liability:
 - a. to anyone other than the Department or Super SA in connection with this report
 - b. to the Department or Super SA for the consequences of using or relying on it for a purpose other than that referred to above.
- 8.4 PwC makes no representation concerning the appropriateness of this report for anyone other than the Department. If anyone other than the Department or Super SA chooses to use or rely on it, they do so at their own risk.
- 8.5 The advice contained in this report is based on the circumstances of Super SA as a whole. It does not take into account the specific circumstances of any individual.
- 8.6 We have relied on a range of external sources for the data. As a result we are unable to guarantee the accuracy of the data contained in this report.
- 8.7 PwC is not obliged to provide any additional information or update anything in this report, even if matters come to our attention which are inconsistent with its contents.
- 8.8 This disclaimer applies:
 - a. to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute; and
 - b. even if PwC consents to anyone other than the Department or Super SA receiving or using this report.

Appendices

Appendix A	IBNR calculations for death and TPD insurance	40
Appendix B	Death and TPD insurance cover tables	42
Appendix C	Summary of 2018 product changes	45
Appendix D	Extract from Southern State Superannuation Act 2009	49

Appendix A IBNR calculations for death and TPD insurance

- A.1 As noted in the body of the report, historical industry observed delay periods showed approximately:
- 90% of claims being reported within 6 months and 98% within 12 months for death claims
 - 50% of claims being reported within 6 months, 80% within 12 months and 90% within 24 months for TPD claims.
- A.2 TPD claim delays are similar to the historical observations above and are showing increasing numbers of late claims in more recent years.

Cumulative	0-3 mths	3-6 mths	6-9 mths	9-12 mths	12-18 mths	18-24 mths	24-36 mths	36-48 mths
2013-16 % of claims paid Death only	30%	69%	84%	90%	93%	95%	99%	100%
2013-16 % of claims paid TPD only	51%	56%	62%	66%	80%	87%	100%	100%
2016-19 % of claims paid Death only	23%	57%	74%	87%	96%	98%	100%	100%
2016-19 % of claims paid TPD only	58%	66%	71%	75%	81%	90%	97%	100%

- A.3 The effect of the IBNR on the actual number of claims for Death and TPD Insurance for 2016 to 2019 is shown below.

Claims known at 2019 (\$'000)	2016	2017	2018	2019	Total
Claims in 2019 data (unadjusted for IBNR)	182	171	130	131	614
Potential claims¹ (% of claims in 2019 data)	-	-	14 (11%)	49 (37%)	63
IBNR claims (% of claims with potential)	-	-	14 (10%)	28 (15%)	42
Number of expected claims (% of claims with potential and IBNR)	182	171	158 (22%)	208 (59%)	719

¹ Potential claims are claims arising from pending and declined claims at 30 June 2019, assuming 95% of all claims will be approved.

- A.4 We have compared claims rates against premiums including a subsidised proportion of the death & TPD sum insured covered by the subsidy of \$0.25 per standard unit per week on a member's first 3 units (6 units for police and ambulance members). The table below shows the breakdown of subsidised sum insured by 5-year age bands:

Age group	Total Sum Insured (\$m)	Default (Subsidised) Sum Insured (\$m)	Proportion Default (Subsidised)	Average Premium per unit per week (\$)
15 - 19	42	42	100%	0.75
20 - 24	1,096	1,093	100%	0.75
25 - 29	2,773	2,716	98%	0.76
30 - 34	3,477	3,164	91%	0.77
35 - 39	3,663	3,014	82%	0.79
40 - 44	3,082	2,240	73%	0.82
44 - 49	2,465	1,646	67%	0.83
50 - 54	1,616	972	60%	0.85
55 - 59	980	519	53%	0.87
60 - 64	527	251	48%	0.88
65 - 69	112	74	66%	0.84
Total	19,833	15,730	79%	0.80

Appendix B Death and TPD insurance cover tables

A.5 The table below shows the value of 1 unit of standard cover, for \$1 per week premium.

Age last birthday	One unit cover (\$)	Age last birthday	One unit cover (\$)	Age last birthday	One unit cover (\$)
Up to 34	75,000	46	39,000	58	11,000
35	72,000	47	36,000	59	10,000
36	69,000	48	33,000	60	9,000
37	66,000	49	30,000	61	8,000
38	63,000	50	27,000	62	7,000
39	60,000	51	24,000	63	6,000
40	57,000	52	22,000	64	5,000
41	54,000	53	20,000	65	5,000
42	51,000	54	18,000	66	5,000
43	48,000	55	16,000	67	5,000
44	45,000	56	14,000	68	5,000
45	42,000	57	12,500	69	5,000

A.6 The table below shows the premium for 1 unit of legacy fixed benefit cover (premium per \$10,000 unit).

Age last birthday	Premium per week (\$)	Age last birthday	Premium per week (\$)	Age last birthday	Premium per week (\$)
Up to 34	0.13	46	0.26	58	0.91
35	0.14	47	0.28	59	1.00
36	0.14	48	0.30	60	1.11
37	0.15	49	0.33	61	1.25
38	0.16	50	0.37	62	1.43
39	0.17	51	0.42	63	1.67
40	0.18	52	0.45	64	2.00
41	0.19	53	0.50	65	2.00
42	0.20	54	0.56	66	2.00
43	0.21	55	0.63	67	2.00
44	0.22	56	0.71	68	2.00
45	0.24	57	0.80	69	2.00

A.7 The table below shows the value of 1 unit and corresponding premium for fixed benefit death and TPD cover.

Age last birthday	One unit cover (\$)	Premium per week (\$)	Age last birthday	One unit cover (\$)	Premium per week (\$)
20 and under	75,000	0.80	43	75,000	2.90
21	75,000	0.85	44	75,000	3.10
22	75,000	0.85	45	75,000	3.30
23	75,000	0.90	46	75,000	3.50
24	75,000	0.95	47	75,000	3.70
25	75,000	1.00	48	75,000	3.90
26	75,000	1.05	49	75,000	4.10
27	75,000	1.10	50	75,000	4.40
28	75,000	1.15	51	75,000	4.70
29	75,000	1.20	52	75,000	5.10
30	75,000	1.25	53	75,000	5.50
31	75,000	1.30	54	75,000	6.00
32	75,000	1.40	55	75,000	6.50
33	75,000	1.50	56	75,000	7.10
34	75,000	1.60	57	75,000	7.70
35	75,000	1.70	58	75,000	8.40
36	75,000	1.80	59	75,000	9.20
37	75,000	2.00	60	75,000	10.10
38	75,000	2.10	61	75,000	11.00
39	75,000	2.30	62	75,000	12.00
40	75,000	2.40	63	75,000	13.00
41	75,000	2.60	64	75,000	14.10
42	75,000	2.70	65+	Not offered	Not offered

A.8 The table below shows the current premium rates (as a percentage of salary) for income protection cover.

Age last birthday	30 Day Waiting	90 Day Waiting	Age last birthday	30 Day Waiting	90 Day Waiting	Age last birthday	30 Day Waiting	90 Day Waiting
15	0.16%	0.09%	32	0.18%	0.10%	49	0.46%	0.25%
16	0.16%	0.09%	33	0.18%	0.10%	50	0.49%	0.27%
17	0.16%	0.09%	34	0.19%	0.10%	51	0.52%	0.29%
18	0.16%	0.09%	35	0.20%	0.11%	52	0.56%	0.31%
19	0.16%	0.09%	36	0.21%	0.11%	53	0.63%	0.35%
20	0.16%	0.09%	37	0.21%	0.12%	54	0.70%	0.39%
21	0.16%	0.09%	38	0.23%	0.13%	55	0.78%	0.43%
22	0.16%	0.09%	39	0.24%	0.13%	56	0.85%	0.47%
23	0.16%	0.09%	40	0.26%	0.14%	57	0.93%	0.51%
24	0.16%	0.09%	41	0.27%	0.15%	58	0.97%	0.54%
25	0.16%	0.09%	42	0.28%	0.16%	59	1.02%	0.56%
26	0.16%	0.09%	43	0.31%	0.17%	60	1.07%	0.59%
27	0.17%	0.09%	44	0.33%	0.18%	61	1.11%	0.61%
28	0.17%	0.09%	45	0.35%	0.19%	62	1.16%	0.64%
29	0.17%	0.09%	46	0.37%	0.20%	63	1.02%	0.56%
30	0.17%	0.09%	47	0.39%	0.22%	64	0.44%	0.24%
31	0.17%	0.10%	48	0.43%	0.23%	65+	Not offered	

Appendix C Summary of 2018 product changes

Death & TPD

Pre effective date (3 September 2018)	Post effective date (3 September 2018)
New members receive 2 standard Basic Units without limitations.	New members automatically receive 3 standard DTPD Units by default without limitations.
Existing standard members have 2 basic units (or 1 if they opted out in 2008).	<p>Members previously with basic standard units will be provided with extra standard units so they have at least 3 standard units.</p> <p>Extra units provided will be limitation free but members must have a date last worked after the changeover date to receive the extra units.</p> <p>Eligible members previously with basic and additional cover will have any limitations on the first 3 units removed.</p>
<p>Only casual members and those on LWOP can suspend cover.</p> <p>On re-commencing cover a 12 month accidental death period applies.</p>	<p>All members (except Police & AMB) can reduce their cover (including cancelling to nil) but would need to be assessed if they re-apply.</p> <p>Police & AMB can reduce their cover (including to nil) after age 65.</p> <p>Members who suspended their cover prior to the changeover date can re-commence their cover with the 12 month accidental death period.</p>
Cover Ceases at age 65	Standard Cover ceases at age 70. Members aged 65 to 70, eligible for automatic cover by default, will automatically receive 3 units. They must have a date last worked after the changeover date to receive the extra units.
Members can apply for additional units by completing an application form and health statement, limitations may be applied .	No change , however the Board delegate will also have the power to decline an application
All standard units subsidised by \$0.25 (ie actual cost of \$1 per week with a \$0.25 subsidy).	Only first 3 standard units receive the \$0.25 subsidy. Police & Ambulance members will receive the subsidy on first 6 units.
<p>Fixed Insurance only available to those members who had cover before Nov 2014. Members cannot increase cover.</p> <p>Fixed Insurance ceases at age 65.</p>	<p>No change to existing Closed Fixed Insurance members.</p> <p>Where Closed Fixed units cease at age 65, eligible members will automatically receive 3 standard Units by default.</p>

	<p>A new Fixed Benefit option launched:</p> <ul style="list-style-type: none"> ◦ Continues to age 70. ◦ \$10,000 Units ◦ Premiums increase each year with the member's age ◦ Premiums based on standard rate
Police & Ambulance members must have cover to the value of at least 6 standard units and cannot suspend cover.	Police & Ambulance members can reduce cover below 6 units (or cancel to nil) after age 65. Cover still ceases at age 70.
TPD definition , member must cease work and be 60% incapacitated for all kinds of work and likely to be permanent.	New definition based on SIS Act definition; however member must still terminate employment.
Terminal Illness , insurance payable if member has not terminated employment and is likely to die within 1 year (will be updated to 2 years).	No change however terminal illness insurance claim can be assessed if the member terminated employment when they were terminally ill.
Casuals working < 9 hours per week are not covered once they leave work.	Casuals working < 9 hours per week are considered employed for 1 month following the date they last worked.
Pre 2002 members may have additional basic units and a \$20,000 minimum until age 60.	\$20,000 minimum removed , as members provided with at least 3 units.
Visiting Medical Officers may have VMO standard & VMO Fixed cover.	VMO insurance will be replaced with equivalent Triple S standard & Fixed Benefit insurance .
Salary sacrifice & PSS3 members can apply for additional insurance within Triple S.	<p>No change</p> <p>Will receive the subsidy on the first 3 units.</p>

Income protection

Pre effective date (3 September 2018)	Post effective date (3 September 2018)
Police & Ambulance members cannot opt out of IP.	Police & Ambulance members can only opt out of IP once they have reached age 60 .
Limitations may be applied to applications for IP	Limitations may be applied to applications for IP and the Board Delegate will have the ability to decline IP applications .
IP ceases at age 60	<p>IP ceases at age 65.</p> <p>Members aged 60 to 65 at the changeover date will not be provided with IP cover but can apply for cover, limitations may apply.</p> <p>Those who turn age 60 one month before the changeover date can receive back their IP (on application) without underwriting.</p>

IP benefit is 75% of notional salary.	IP benefit is 75% of notional salary plus a contribution replacement benefit (CRB).
No CRB is paid.	<p>CRB is 9.5% of the amount of IP paid (ie 7.125% of salary).</p> <p>CRB is paid into the member's Employer Account.</p> <p>The CRB will not be subject to PAYG.</p> <p>The CRB will form part of the Taxable Untaxed component of any future lump sum benefit.</p> <p>The CRB may count towards Div. 293 but is not a Reportable Employer Superannuation Contribution (RESC).</p> <p>The CRB benefit is only paid where the member's last day at work was after the changeover date (ie not for existing claims).</p>
There is no limit or cap on the notional salary or IP benefit.	<p>Notional salary is limited to an Automatic Assessment Level (AAL) of \$122,000 p.a., without underwriting.</p> <p>Members can apply for IP cover above the AAL up to the maximum IP cover amount but must complete a medical statement and limitations may apply.</p> <p>The AAL will not apply to existing Triple S members.</p> <p>Maximum IP cover amount is based on a salary of \$584,000 pa.</p> <p>Existing members with salaries above the Maximum limit will be capped at the salary held at the changeover date.</p>
Members cannot choose the level of IP cover as it is set to 75% of their salary.	Members cannot choose the level of IP cover however if they are above the AAL limit they can elect to reduce IP to the AAL level.
IP premiums are set at 0.2% of salary , regardless of age.	IP premiums are determined depending on waiting period and the member's age.
IP definition	<p>New IP definition based on SIS definition.</p> <p>Where a member's last day at work is before the changeover date then the old definition will continue to apply.</p>
30 day waiting period	<p>90 day waiting period introduced (30 day remains default option).</p> <p>All members can switch to the 90 day waiting period at any time.</p>
IP claims of under 1 week cannot be approved	The 1 week rule will be removed

<p>IP claims need to be made within 6 months of the date they ceased working, or within 6 months of paid leave or Workcover if this occurred immediately following ceasing work.</p>	<p>No change however the Board will give the office the power to extend this up to 2 years</p>
<p>IP is not paid for periods where the member was entitled to regular Workcover payments.</p>	<p>IP is not paid for periods where the member was entitled to regular Workcover payments.</p> <p>The Board may recoup IP where a member receives a lump sum Workcover benefit in lieu of regular payments.</p>
<p>Graded Return to Work (GRTW)</p>	<p>No change, however the delegate will be given the power to take into account income from outside employment.</p>
<p>Casuals working >9 hours per week can only receive 11 months IP benefits (i.e. 12 months continued employment less 30-day waiting period).</p>	<p>Casuals working >9 hours per week can receive up to 12 months IP benefits regardless of which waiting period they have.</p>

Appendix D Extract from Southern State Superannuation Act 2009

Section 17—Report as to cost and funding of insurance benefits

- A.9 The Minister must obtain a report on the cost and funding of insurance benefits (including disability pensions) provided through the scheme within 12 months after 30 June 2010 and thereafter within 12 months after the end of each triennium following that date.
- A.10 Each report must be prepared by an actuary (not being a member of the Board) appointed by the Minister and must report on:
- c. the cost of insurance benefits
 - d. the extent to which premiums paid by members and held by the Board are sufficient to meet the scheme's anticipated insurance liabilities
- at the time of the report and in the foreseeable future.
- A.11 The Minister must, within 6 sitting days after receiving a report under this section, have copies of the report laid before both Houses of Parliament.

Section 22—Insurance benefits

- A.12 The following is to be provided through the Triple S scheme on terms and conditions prescribed by regulation:
- a. invalidity insurance, death insurance and income protection for members
 - b. death insurance for spouse members.
- A.13 Invalidity or death insurance may also be provided through the scheme for other persons on terms and conditions prescribed by regulation.
- A.14 Regulations made for the purposes of this section:
- a. may provide
 - i) for different amounts of invalidity or death insurance depending on a person's age or occupation, or whether the person was employed on a full time, part time or casual basis, or on any other relevant factor; and
 - ii) for annual increases in the amount of invalidity or death insurance for the benefit of persons who wish to have annual increases in their insurance; and
 - iii) for the amount of premiums to be fixed by the Board; and
 - b. may make different provision according to the various classes of members, matters or circumstances to which they are expressed to apply; and
 - c. may provide that specified members or spouse members, or members or spouse members of a specified class, cannot apply for, or are not entitled to, invalidity insurance, death insurance or income protection.

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O'Shaughnessy, Mathew (DTF)

From: Irving, Rachel (DTF)
Sent: Tuesday, 5 May 2020 8:15 AM
To: Clarke, Nathan (DTF)
Subject: RE: Letter

Good Morning Nathan,

Could you please address it to Andrew Isles, Policy & Governance Team.

Please note we are all working from home at the moment, so there may be some delay in him receiving it.

Thanks

Rachel

Group Leader | Insurance | Super SA

151 Pirie Street, ADELAIDE SA 5000

t +61 1300 369 315 | **f** +61 8115 1299 | **e** medicalsUPER@sa.gov.au | **w** supersa.sa.gov.au



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From: Clarke, Nathan (DTF)
Sent: Monday, 4 May 2020 2:27 PM
To: Irving, Rachel (DTF) <Rachel.Irving@sa.gov.au>
Subject: Letter

Hi Rachel

I have a letter to send regarding the issue we were discussing a couple of weeks ago.

Could you please advise who I would send that to please

Regards

Nathan Clarke

Taxation Audit Specialist, Compliance Services Branch | RevenueSA

GPO Box 2149 ADELAIDE SA 5001

t (08) 8226 3601 | **e** nathan.clarke@sa.gov.au | **w** revenuesa.sa.gov.au

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O'Shaughnessy, Mathew (DTF)

From: Bennett, Dascia (DTF)
Sent: Wednesday, 10 June 2020 10:35 AM
To: Holmes, Julie (DTF)
Cc: Clarke, Nathan (DTF); Pearce, Alannah (DTF)
Subject: RE: Stamp Duty Audit
Attachments: SUP20D00127 Super SA Response to Revenue SA Re Stamp Duty Audit.pdf; initial letter.docx

Hi Julie

Please find attached Super SA's response to your letter dated 8 May (also attached).

Please contact me if you have any questions regarding this.

Cheers

Das

Dascia Bennett

Chief Executive | Super SA

151 Pirie Street, ADELAIDE SA 5000

t 8226 9510 | **m** 0419 285 093 | **e** dascia.bennett@sa.gov.au | **w** supersa.sa.gov.au

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From: [Bennett, Dascia \(DTF\)](#)
To: [Holmes, Julie \(DTF\)](#)
Subject: Correspondence from Super SA
Date: Wednesday, 19 August 2020 11:33:03 AM
Attachments: [SUP20D00164 Super SA Letter to Revenue SA Stamp Duty 19 August 2020.pdf](#)

Hi Julie

Please find correspondence attached.

Cheers

Das

Dascia Bennett
Chief Executive | Super SA

151 Pirie Street, ADELAIDE SA 5000

t 8226 9510 | **m** 0419 285 093 | **e** dascia.bennett@sa.gov.au | **w** supersa.sa.gov.au

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From: [Bennett, Dascia \(DTF\)](#)
To: [Bennett, Dascia \(DTF\)](#); [Holmes, Julie \(DTF\)](#); [McAvaney, Patrick \(DTF\)](#); Reynolds, David (DTF)
Subject: Super SA Stamp Duty Audit

Adding Patrick McAvaney, attendee



Our ref: A21/215, A21/024, A21/025, A21/021, A21/404,
A21/059, A21/008, A21/105, A21/301

13 September 2021

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200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
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ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Ms D Bennett
Chief Executive Officer
State Superannuation Office
Email: dascia.bennett@sa.gov.au

Dear Ms Bennett

Interim audit of the South Australian Superannuation Board for 2020-21

The 2020-21 interim and year end audits of the South Australian Superannuation Board (the Board) have been completed by my contractors, Ernst & Young.

1 Audit findings

The audits identified some areas where the Board could improve its internal controls. The findings include two moderate high risk and two low risk matters which are outlined in Attachment A, along with your agreed responses to the matters. Please refer to the Appendix for an explanation of the risk ratings.

Findings which may impact the collective opinion on financial controls exercised by public authorities

In our audit strategy letter, we highlighted that we would consider the internal controls over the Board and superannuation schemes' Treasury deposit accounts in forming our collective opinion on the financial controls exercised by public authorities, required by the *Public Finance and Audit Act 1987*.

We did not identify any matters in this area that would individually impact our overall conclusion for the collective financial controls opinion.

2 Audit scope

The audit covered the following entities:

- South Australian Superannuation Board
- South Australian Superannuation Scheme

- Southern State Superannuation Scheme
- Super SA Retirement Investment Fund
- Super SA Select Fund
- Governors' Pensions Scheme
- Judges' Pensions Scheme
- Parliamentary Superannuation Scheme
- South Australian Ambulance Service Superannuation Scheme.

The areas of audit focus and the level of complexity or management judgement to be applied were:

- impacts of COVID-19 on operations
- general ledger upgrade to MYOB Advanced
- review of ICT general controls for Phoenix (previously known as Bluedoor)
- investment valuations
- measurement of accrued benefits and current funding position

The audit also reviewed controls relating to:

- governance
- contributions revenue
- benefit payments cash management investments
- maintenance of member accounts
- ICT general controls
- reconciling superannuation data from the superannuation administration systems to the general ledger.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Andrew Richardson
Auditor-General

Attachment A: 2020-21 audit findings

Summary of recommendation issues/risk ranking

The following table summarises the key issues and their risk ranking from the 2020 interim audit:

Interim Audit Observations	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Date inconsistency between the General Ledger, Phoenix and bank account		✓	
MYOB Advanced IT Controls		✓	
Active accounts remain within Phoenix for terminated users			✓
Early release payments exceeding \$10,000 per financial year			✓

Attachment A: 2020-21 audit findings

Audit observations

1 - Date inconsistency between the General Ledger, Phoenix and bank account

Observation	<p>As part of our interim cash receipting controls testing, we identified instances whereby there were differences in the effective date recorded for the same transaction between MYOB, Phoenix and the bank account.</p> <p>We understand Phoenix is configured to allow contributions to be completed in real time. The mismatch occurs when contributions are uploaded by agencies post close of business whereby the cash receipt in Phoenix is recorded on the same date as the transaction, however as it is after business hours, actual cash is receipted in the bank account and MYOB the following business day in the majority of occurrences. However, there are minor occurrences where the cash receipted in the bank account and MYOB occurs several days later.</p>
Implication	<p>A mismatch in effective date recorded for the same transaction over multiple reporting platforms can lead to undetected errors in the financial reporting process. The additional time lag between funds received from agencies and disbursed to Funds SA can cause variances in the investment fluctuation reserve, especially during high periods of market volatility.</p>
Recommendation	<p>We recommend the Phoenix system to be configured to follow the cash receipt effective date for those transactions uploaded outside of business hours.</p>
Management Response	<p>The office continues to progress this item and will investigate changes to the Phoenix system. We acknowledge that improvements have occurred with the implementation of MYOB Advanced but better processes in both Operations team and Finance are required to streamline reconciliations. Future work under the MYOB Advanced implementation item will contribute to this streamlining.</p>
Target Resolution timing	<p>June 22</p>

Attachment A: 2020-21 audit findings

2 – MYOB Advanced IT Controls

Observation	Super SA undertook a transition of the GL from Solution 6 MYOB to MYOB Advanced during the year. This transition was successfully completed with an effective date of 1 April 2021. Subsequent to the implementation, Super SA engaged internal audit to perform a review of the control design and for MYOB Advanced. The key findings identified, included: <ul style="list-style-type: none"> - Inadequate segregation of duties with respect to posting and reviewing of journal entries; - Users with master/super access and to remove all users who are not authorised to have master access;
Implication	Whilst our testing on the MYOB Advanced system is limited to substantive procedures only, there is a risk that the lack of segregation of duties and inappropriate user access can lead to manipulation of general ledger data.
Recommendation	We recommend that Super SA review their access management processes and to increase the segregation of duties within the general ledger.
Management Response	While management concurs in principle with the Audit findings, due to the small size of the Finance team and need for timely action on transactions, the Finance team cannot fully implement this recommendation. To address and manage the potential for fraud or error, each journal has separate preparers and authorisers. MYOB also shows audit trails with actions and users undertaking each transaction. Given the small Finance team, management has also documented and introduced additional mitigating controls to ensure segregation of duties are appropriate.
Target Resolution timing	N/A

3 – Active accounts remain within Phoenix for terminated users

Observation	As part of the testing undertaken, a number of users were identified to still have active access to the Phoenix application (previously known as Bluedoor) post-date of termination. Additional procedures were undertaken to confirm that no unauthorised access was made to Phoenix throughout the audit period.
Implication	Where leavers are not removed/disabled from application and network in a timely manner and the user(s) IDs and passwords are compromised, there is an increased risk that access may be gained by unauthorised persons (i.e. disgruntled employees), potentially resulting in unauthorised access to the system.
Recommendation	It is recommended that controls around the termination process is followed and notification is provided to all relevant stakeholders when offboarding a user, to allow for user access to be removed from systems in a timely manner.
Management Response	Management agrees that this has occurred. While the Office has exiting staff checklists in place, these are not always signed off by appropriate staff, to confirm finalisation of the exit. Management will seek clarification of final responsibility of the exit process will occur, and ensure it is followed. Reporting of system access through to each director will be implemented.
Target Resolution timing	Dec 21

Attachment A: 2020-21 audit findings

4 - Early release payments exceeding \$10,000 per financial year	
Observation	We identified 4 (out of 7,500) different COVID-19 early release payments made to members from Triple S exceeding the maximum allowable amount of \$10,000 per financial year. This occurred due to the short time frame to set up a process to manage the COVID-19 early release payments and as such there has not been a system control implemented to alert if a member has requested greater than the legislated amount of \$10,000 per financial period.
Implication	Payments greater than \$10,000 to one member in one financial period is outside the scope of the early release payments set by the Australian Tax Office.
Recommendation	An automated process within the administration system should be initiated to ensure validations are made to identify any duplicate payments, or payments that exceed the ATO imposed threshold.
Management Response	Management acknowledges the difficulty of preparing controls preventing a member from multiple applications of the early release of super, particularly where the applications come via the ATO, rather than via regular benefit payment channels. However, Management will investigate additional controls for future early release arrangements, should they occur.
Target Resolution timing	N/A

Appendix: Explanation of risk ratings

Overview of risk ranking system

We have aligned our rankings with the internal audit rankings provided by your internal auditor. Though we have rated each finding individually on a stand-alone basis, you should also assess the collective impact of these matters, together with other findings from within your organisation.

High Needs significant improvement	Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair Super SA's reputation.
Moderate Needs substantial improvement	Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
Low Needs some improvement	Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

South Australian Superannuation Schemes (Super SA)

Closing Report to the Auditor-General of
South Australia for the year ended
30 June 2021



Contents

Executive Summary	4
Upgrade to MYOB Advanced	5
Phoenix	6
Investment Valuation	7
Measurement of accrued benefits and current funding position	8
Member administration processing and routine transactions	9
Taxation	10
Audit Differences	11
Appendices	12
Other Required Audit Committee Communications	13
Outstanding Matters	14
Independence	15
Focused on Your Future	16



Welcome

Dear Auditor General of South Australia



Nigel Stevenson
EY Assurance
Partner

We have completed our audit of the following entities for the year ended 30 June 2021:

- ▶ Governors' Pensions Scheme
- ▶ Judges' Pensions Scheme
- ▶ Parliamentary Superannuation Scheme
- ▶ South Australian Ambulance Service Superannuation Scheme
- ▶ South Australian Superannuation Scheme
- ▶ Southern State Superannuation Scheme
- ▶ Super SA Retirement Investment Fund
- ▶ Super SA Select Fund, collectively the 'Schemes'; and
- ▶ South Australian Superannuation Board

This report is intended solely for the use of the Auditor General of South Australia, the Audit, Risk and Finance Committee Members and Board of Directors of the schemes and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement.

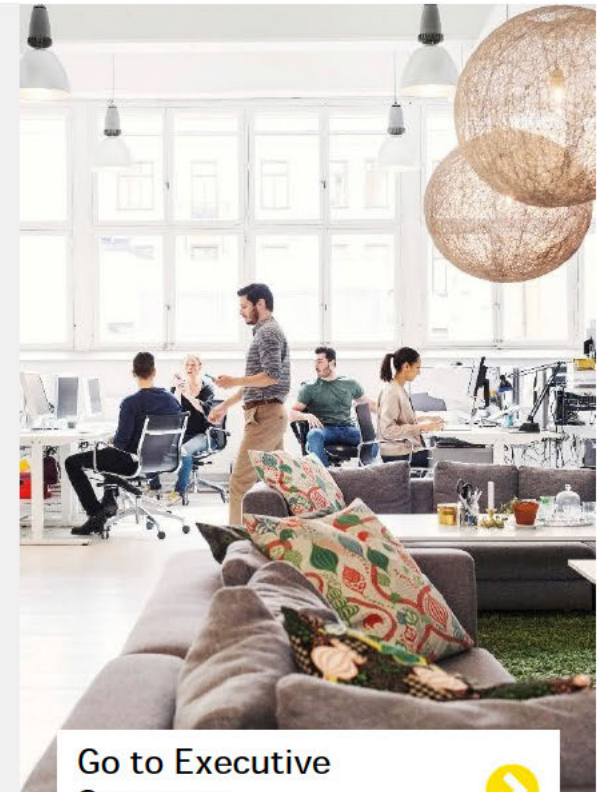
I look forward to the opportunity of discussing with you any aspects of this report or any other issues arising from our work.

If you have any queries in the meantime, please feel free to contact me on (08) 8417 1626.

Yours faithfully



Nigel Stevenson
Partner
13 September 2021



Go to Executive
Summary



Executive Summary

STATUS OF AUDIT

0

outstanding items for an
unqualified audit opinion

Other than the signed financial reports, management representation letter and completion of our subsequent event procedures, there are no outstanding items.

We have remained in compliance with the *Corporations Act 2001* independence requirements

AUDIT DIFFERENCES

\$0m

aggregated audit differences
considered
immaterial to the financial statements

- See Audit Differences section for more details

AREAS OF AUDIT FOCUS

6

key areas of focus

Our audit plan included our estimated risk rating. In this report we provide our conclusions for key areas of audit focus. Our conclusions are measured on a scale showing a range of acceptable outcomes, or, where applicable, we note where audit differences have been found.

The key areas of audit focus and level of complexity or management applied are:

- HIGH** Upgrade to MYOB Advanced
- MEDIUM** Phoenix and IT General Controls
- MEDIUM** Investment Valuation
- MEDIUM** Measurement of accrued benefits and current funding position
- MEDIUM** Member administration processing and routine transactions
- MEDIUM** Taxation

COVID-19 IMPACTS

We have tailored our audit procedures for COVID-19 across all the key areas of focus listed above, in particular:

- Investments – valuation uncertainty associated with unlisted investments and investments with stale prices;
- Defined benefit member liabilities – for impacts on key actuarial assumptions used in this estimate; and
- Member transactions – operating effectiveness of benefit payment controls across the Early Release of Superannuation (ERS) Scheme and routine transactions.

SCOPE & MATERIALITY

1%

of net assets available for member
benefits

Materiality has been determined as at 30 June 2021 based on 1% of net assets available for member benefits, consistent with prior years.

Materiality for the South Australia Superannuation Board has been determined as at 30 June 2021 based on 2% of operating expenses, consistent with prior years.

CONTROL OBSERVATIONS

4

identified observations and
improvement recommendations

We have included these observations and improvement recommendations in a separate management letter.

Upgrade to MYOB Advanced

Key areas of focus: Completeness and accuracy of data migration



HIGH

Our Understanding

- ▶ Super SA successfully upgraded the general ledger platform to MYOB Advanced, effective April 2021.
- ▶ Super SA engaged the internal auditor, Deloitte, to assess the design effectiveness of key implementation activities relating to the upgrade of Super SA's general ledger.

Data Migration

- ▶ Data migration is a critical element to the overall general ledger upgrade, and has a number of associated risks for Super SA including:
 - Failure to completely and accurately convert or transfer data, resulting in inaccurate data;
 - Incomplete data conversion and validation procedures;
 - Inability for migrated data to interface with other business critical systems effectively;
 - The migration leading to reliability, performance, or security of system issues; and
 - The migration not meeting business objectives.
- ▶ MYOB Advanced was run in parallel with the former general ledger system until the go live date on the 1st of April 2021. For completeness and accuracy testing, management performed monthly reconciliations to ensure the closing trial balances in the former general ledger agreed to opening balances in MYOB Advanced.

EY Perspective

As part of our audit procedures, we have:

- ▶ Performed a walkthrough to understand the data migration process and associated procedures performed by Deloitte;
- ▶ Reviewed reconciliations performed by management in ensuring the general ledger balances were appropriately migrated to the upgraded general ledger system; and
- ▶ Reviewed year end reconciliations and agreed material balances to supporting documentation.

We noted no issues with the completeness and accuracy of the trial balance as at 30 June 2021.

Phoenix and IT General Controls

Key areas of focus: IT General Controls

MEDIUM



Our Understanding

- ▶ On the 7 May 2018, Super SA's implementation of the Phoenix administration system went live. The implementation has resulted in the following schemes fully migrated:
 - Triple S (SSS)
 - Super SA Retirement Investment Fund ("RIF")
 - SA Select
- ▶ An effective I.T General Control environment ("ITGC") on the member administration system is critical in order to perform a controls-based audit, consistent with other superannuation funds and schemes of similar sizes and member profiles.

EY Perspective

- ▶ As part of our routine procedures, we assessed the design and operating effectiveness of the ITGC's for Phoenix.
- ▶ Our evaluation of ITGCs for design and operating effectiveness included walkthroughs, tests of controls and substantive testing of:

Areas	Descriptions
Access to programs and data	Controls are in place to determine that only authorised persons have access to data and applications (including programs, tables and related resources) and that they can perform only specifically authorised functions
Change management	Controls are in place to determine that only appropriately authorised, tested, and approved changes are made to applications, interfaces, databases, and operating systems
IT operations	Controls are in place to determine that system failures do not cause loss of transaction records or inability to access them as required and inappropriate manual intervention or failures in Scheduled jobs do not materially impact processing.

- ▶ We found ITGCs to be designed and operating effectively.

Investment Valuation

Key Judgements: Valuation of Measurement

Relevant accounting standards: [AASB 13 Fair Value Measurement](#)

MEDIUM



Our Understanding

Contributions by members in Super SA are invested by investment manager, Funds SA. Funds SA is a government entity whose mandate is to act as the investment manager for government agencies where Super SA is the largest customer.

During the year, Funds SA transitioned custodians from JP Morgan to Northern Trust and also revised their policy with respect to the recognition of direct investment expenses. Previously, Funds SA reported both direct and indirect investment expenses. Funds SA now report direct investment expenses only resulting in a decrease in investment expenses. The indirect expenses are now netted off against investment revenue. As this is a current year change in policy, the comparatives have not been adjusted by Super SA. Super SA have aligned this reporting basis with Funds SA which has resulted in a decrease in investment expenses. This presentation has been approved by Funds SA and considered within the audit by the Auditor-General of Funds SA and the reports used by Super SA to reflect this presentation are provided directly by Funds SA.

Under AASB 1056, Super SA is required to value its investments at fair value in line with AASB 13 *Fair Value Measurement*. In accordance with AASB 13, the fair value hierarchy classifies the inputs used to measure fair value into three levels based on observability:

- ▶ Level 1 - Quoted prices (unadjusted) in active markets
- ▶ Level 2 - Inputs other than quoted prices included within level 1 that are observable
- ▶ Level 3 - Unobservable inputs for the asset or liability

Funds SA present the value of investments as a measurement of unit prices. The total value of units for all investments comprise the value of the member liabilities within each of the schemes. As such, the investments are presented as Level 2 by Super SA.

Asset and Liability Movement ("ALM")

- ▶ During the year, management commenced a program to address the historical asset and liability variations with the primary cause of the accumulated difference being the differing unit price sequences and timing between Funds SA and Super SA.
- ▶ In this regard, at year end management have prepared a reconciliation to support the true up unit pricing adjustment to address the current year ALM deficit for these timing differences.

EY Perspective

- ▶ We have completed the appropriate audit procedures in relation to the valuation and existence of investments held by Funds SA including:
 - Obtained independent confirmations from Funds SA for all investment holdings and cash accounts at 30 June 2021.
 - Assessed the Funds SA Controls Representation as signed by the Auditor General (Funds SA External Auditor).
 - Assessed the rationale with respect to the change in the investment expense policy and its measurement against the accounting standards.
 - Tested managements application of AASB 1056 & AASB 13 Fair Value Measurement in valuing investments to fair value.
 - Reviewed and accept the level of disclosure around investments in the Scheme's financial statements.

Asset and Liability Movement

- ▶ As part of our audit procedures, we:
 - Conducted a walkthrough of the ALM process and calculation undertaken by management
 - Obtained management's reconciliation and tested material balances against support documentation provided by Funds SA; and
 - Reviewed the disclosures in the financial statements.
- ▶ We accepts management's position and related disclosure in the financial statements.

Measurement of accrued benefits and current funding position

Key Judgements: Actuarial assumptions used in the calculation of the defined benefit member liability (discount rate, inflationary Salary increases and rates of retrenchment)

Relevant accounting standards: AASB 1056 *Superannuation Entities*

MEDIUM



Our Understanding

The current financial position of the Schemes that hold defined benefit liabilities and the ongoing funding arrangements will continue to be an area of focus.

Super SA has an in-house actuary who prepares the defined member benefit liability calculations for those Schemes that have defined benefit liabilities. These calculations are then reviewed by Brett and Watson (B&W) and Mercer Consulting (Australia) Pty Ltd (Mercer) both third-party actuaries, engaged by Super SA.

The defined benefit scheme, SASS and defined contribution scheme, Select are currently in a deficit position however are supported by the State Government to fund any short falls.

EY Perspective

We have engaged our internal actuary to review the reasonableness of the methodology, assumptions, data validation process and model used by Brett and Watson Pty Ltd (BW) and Mercer Consulting (Australia) Pty Ltd (Mercer), with no issues noted.

As part of our actuarial review, we:

- ▶ Held walkthroughs with internal actuaries to assess the design effectiveness of controls around data integrity, model fitness, calculation accuracy and assumptions setting;
- ▶ Reviewed BW and Mercer valuation methodology, including any changes from prior period;
- ▶ Tested the accuracy and completeness of membership data used by BW & Mercer for its calculation;
- ▶ Assessed the reasonableness of financial assumptions; and
- ▶ Assessed the reasonableness of changes in demographic assumptions from the last triennial investigation.
- ▶ As a result of the procedures outlined above, we note the assumptions adopted, taken as a whole, lie within a reasonable range, the methodology is consistent with standard actuarial practice and the model validation process undertaken by BW & Mercer as disclosed in the valuation report is in line with industry practice.

Member administration processing and routine transactions

Key areas of focus: Accurate and timely processing of member transactions

MEDIUM



Our Understanding

- ▶ As part of the Scheme's internal administration of its membership, all processing, recording, and reporting of member contributions and benefit payments is performed in-house.
- ▶ COVID-19 has resulted in the dual challenge of prolonged remote working arrangements and a significantly increased volume of member transactions and inquiries. This included processing approximately more than 7,219 (PY: 5,500) ERS payment applications totalling \$60 million (PY: 46million) in the financial year ended 30 June 2021, across the Schemes.

EY Perspective

- ▶ We evaluated the design and operating effectiveness of key member transaction controls in place to prevent and detect and correct material error to member liabilities. These controls are a combination of IT application and IT-dependent manual types covering segregations of duties, independent reviews and reconciliations across contributions, roll-ins/rollovers, pensions and benefits, including COVID-19 ERS payments.
- ▶ We note the COVID-19 Early Release of super program closed on 31 December 2020 meaning member could no longer apply for early access to superannuation.

Taxation

Key Judgements: Tax provision may be incorrectly calculated and recorded in the financial statements

Relevant accounting standards: AASB 112 *Income Taxes*

MEDIUM



Our Understanding

- ▶ Taxation is a highly technical area for the schemes. We engage EY tax experts to assist us to review the calculation completed by KPMG and disclosure of tax related balances.
- ▶ This review includes consideration of the recognition criteria and assessment of deferred tax balances.

EY Perspective

- ▶ Our EY tax team have reviewed the respective tax positions. We concur with the tax positions by SA RIF, SA Ambulance and SA Select schemes.
- ▶ We note the tax calculations are highly dependent on third party reports and data. In reviewing the tax calculation, we make the assumption that the third parties have complied with their own tax policies and properly applied the law in generating their reports.

Audit Differences

Summary of unadjusted differences

There were no unadjusted audit differences identified during the 30 June 2021 audits.

Appendices



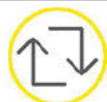
Other Required Audit Committee Communications

Auditing Standards require us to report to you certain matters not in the body of this report.



Outstanding Matters

The items in here relates to outstanding matters at the date of the release of this report.



Focused on Your Future

Audit Committee members should be aware of focus areas, which includes the impact of new accounting standards.



Other Communications

Provides explanatory guidance on other communication such as climate change, governance, new regulatory requirements, etc.







Other Required Audit Committee Communications

Auditing Standards require us to report to you certain matters that are not otherwise detailed in this report.


Matter	How matter was addressed
Material uncertainty related to going concern	We note a number of Schemes are in deficit position at 30 June 2021 but are guaranteed by the Treasurer of South Australia thereby mitigating any going concern risks. No other conditions or events were identified, either individually or in aggregate, that may cast significant doubt about the Schemes' ability to continue as a going concern for 12 months from the date of our report.
Compliance with laws and regulations	We have not identified any material instances of non-compliance with laws and regulations.
Fraud and illegal acts	<p>Auditing Standard ASA 240 states that there is a non-rebuttable presumption that a fraud risk is present in relation to management override of controls. We have considered our experience with the management team, developments in the regulatory environment and the Scheme's investment portfolio in making our fraud risk assessment.</p> <p>In particular we are conscious of the potential for management override of controls in relation to inappropriately adjusting assumptions and changing judgments used to estimate the valuation of unlisted investments. We have tailored our audit procedures accordingly.</p> <p>In addition, we have made enquiries of management regarding:</p> <ul style="list-style-type: none"> ▶ Knowledge of any fraud or suspected fraud affecting the entity involving Management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report ▶ Knowledge of any allegations of fraud, or suspected fraud, affecting the Scheme's financial information <p>Based on our enquiries and audit procedures, we did not become aware of any fraud or illegal acts during our audit.</p>


Outstanding Matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Signed financial report	Receipt of the signed financial report, including directors report	 SUPER SA contributing to your future
Management representation letter	Receipt of signed Management representation letter	  SUPER SA contributing to your future
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	 SUPER SA contributing to your future

Key:

 EY responsibility

 Management responsibility

Independence

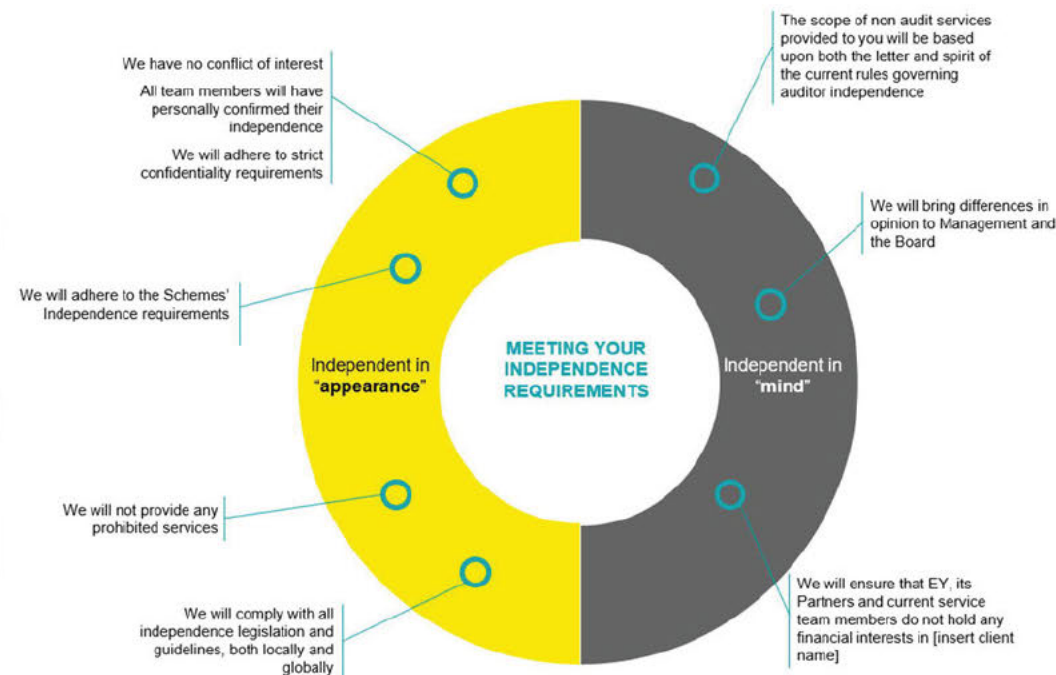
Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet both Super SA's and broader regulatory independence requirements.

We have a mutual obligation to maintain independence. We have consistently complied with all professional regulations relating to auditor independence including those outlined in:

- ▶ Section 307C of the Corporations Act 2001;
- ▶ SPS 510 *Governance*;
- ▶ APES 110 Code of Ethics for Professional Accountants; and
- ▶ Trustee's Charter of Audit Independence.

Accordingly, we have ensured that there are controls in place and actions taken on a regular basis to mitigate any risks to our independence.

There are no matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.



Independence

We confirm that we have complied with the *Corporations Act 2001*, and in our professional judgement, the engagement team and the Firm are independent.

Cybersecurity: Preparing today, to respond effectively tomorrow

The regulatory and cyber threat landscapes are evolving

As the cyber threat environment expands and the sophistication of bad actors intensifies, cyber attacks or breaches are no longer a matter of “if”, but “when” and “how often”.

While the impact of these attacks on an organisation’s reputation and financial position is well-understood, the role of the auditor and the board in managing these risks may be less so.

Ever-increasing regulation around cybersecurity and data privacy means it is now a critical part of an organisation’s overall control environment and can impact the external audit.

Having an effective cybersecurity assurance program protects against financial and reputational loss. It also supports compliance in a regulatory environment that can be onerous, and where the cost of getting it wrong can result in significant fines.

The risk of a cyber incident on the financial audit

Data breaches

Sensitive information may have been compromised or stolen that will need to be assessed for its potential effect on the financial statements.

Claims

A cybersecurity incident may result in the need for accruals, relating to asserted and unasserted claims.

Impairments

A breach may result in diminished future cash flows, thereby requiring consideration of the impairment of certain assets.

Fines and penalties

Regulators are imposing large fines and requiring organisations to provide insurance coverage and restitution costs.

The expanding roles of the auditor and the board

Responsibilities of the auditor

Required to identify and assess the risks of material misstatement of the financial statements, and design and perform audit procedures responsive to those risks. Cybersecurity could contribute to the misstatement of certain amounts in an entity’s financial statements.

Responsible for having a risk assessment process in place to identify cybersecurity risks, and to understand management’s process and internal controls to respond to those risks.

Required to remain alert throughout the duration of the audit to cyber incidents and the potential impact these could have on the financial systems and sustainability.

Required to evaluate the impact on the financial statements in the event of a cyber incident and determine whether the financial report accurately reflects the impact of the incident.

Responsibilities of the board

Required to prepare the financial statements in accordance with the relevant financial reporting framework and designing and implementing internal controls necessary to do this. Cybersecurity risks could impact these.

Responsible for assessing cybersecurity risks and implementing appropriate controls to respond to those risks.

Recognising and managing business risks – this includes cybersecurity risks and identifying when a cybersecurity event occurs.

Responsible for the prevention and detection of fraud such as implementing processes to identify and respond to the risks of fraud, this includes fraud as a result of cybersecurity incidents.

▶ The increasing role of governance in cybersecurity

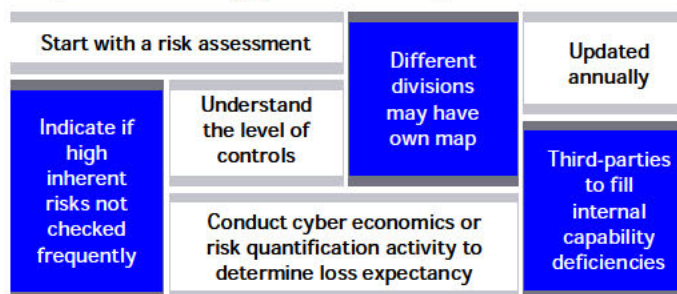
- ▶ Many regulators, industry bodies, legislators and government bodies have introduced standards to aid the management of cybersecurity-related risks – these coupled with international regulations that may impact some organisations, the landscape of “must do’s” seem demanding.

▶ Initiating a cyber assurance program

- ▶ Regulators are requiring more of auditors and EY is responding by applying an audit lens to your cybersecurity controls. The EY audit process already involves performing a risk assessment and then developing procedures to test these identified risks. Including cybersecurity as part of the audit process is a natural extension, giving you confidence that your audit addresses cybersecurity risk.

Your ongoing responsibilities

- ▶ Audit committees should champion a robust cyber assurance program that integrates cybersecurity into the audit process.
- ▶ Consider generating a cyber assurance map for your organisation – this is a valuable tool for centralising risk identification and assessment.
- ▶ A strong cyber assurance map anticipates the various risks that may be identified for each business area, along with more detailed identification of assurance mechanisms across the four lines of defence.
- ▶ Components of a strong cyber assurance map:



A data-led approach to cyber risk

- ▶ EY Cyber Wise is an online EY platform which extracts external threat intelligence data, aggregates the data and reports on indicators of cybersecurity compromise and risk.
- ▶ Further, it overlays threat intelligence data with business insights from the global EY firm, turning it into knowledge that is relevant.
- ▶ EY Cyber Wise will be when performing cyber risk assessments as part of the audit planning process, it provides a truly data-led approach.
- ▶ EY Cyber Wise makes the findings easy to understand and actionable for the management team, the c-suite and the board. It does this by removing the jargon and providing dashboard reporting.
- ▶ This data is shared with the management team and provided to the audit committee as an overview.

In the event of a cyber incident

- ▶ Notify your audit partner as soon as you suspect you have had a cybersecurity incident.
- ▶ As your auditor, EY has an obligation to “shadow” work being performed by management to identify the impacts of a cyber incident.
- ▶ This allows EY to reach conclusions on the impact of the incident, as well as the completeness and sufficiency of management’s investigation.

EY perspective

Two of the board’s primary responsibilities are for strategy and risk management - it is impossible to have those conversations without a discussion of cybersecurity. The following actions are recommended to oversee cybersecurity risks:

- ▶ Set the tone that cybersecurity is a critical business issue
- ▶ Confirm that new technology and business arrangements are designed with security in mind
- ▶ Understand processes to identify, assess and manage third-party and supply chain risks
- ▶ Ensure the cybersecurity risk program is independently assessed by a third party
- ▶ Understand the ability to respond and recover
- ▶ Understand the cybersecurity incident and breach escalation process and protocols



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ED None

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Auditor-General's Department

Our ref: A18/215

19 September 2018

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www.audit.sa.gov.auMs D Bennett
Chief Executive Officer
State Superannuation Office
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Dear Ms Bennett

Interim audit of the South Australian Superannuation Board for 2017-18

The interim 2017-18 audit of the South Australian Superannuation Board has been completed by my contractors, Ernst and Young. The objective of the audit was to establish whether the major financial systems were operation satisfactorily and produced reliable information for financial decision making and reporting purposes.

1 Audit findings

The audit identified one high and four moderate risk findings which are outlined in Appendix A. Please refer to Appendix B for the explanation of the new risk findings.

Prior year matters have been followed up as part of the 2017-18 audit. These findings together with an update on the progress made in addressing them (as prepared by Ernst and Young) are detailed in Appendix A.

2 Audit scope

The audit covered the following entities:

- South Australian Superannuation Board
- South Australian Superannuation Scheme
- Southern State Superannuation Scheme
- Super SA Retirement Investment Fund
- Super SA Select
- Governors' Pension Scheme
- Judges Pension Scheme
- Parliamentary Superannuation Scheme
- SA Ambulance Service Superannuation Scheme.

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The audit reviewed controls relating to the following areas:

- governance and entity level controls
- contributions revenue
- benefit payments
- unit pricing changes
- cash management
- maintenance of member accounts.

3 Concluding comments

Your acknowledgement of these matters would be appreciated by 30 September 2018.

Finally, I would like to express my appreciation for the cooperation and assistance provided by your staff during the course of the audit

Yours sincerely



Andrew Richardson
Auditor-General

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Attachment: South Australian Superannuation Board

Appendix A

Summary of recommendation issues/risk ranking

The following table summarises the key issues and their risk ranking from the 2018 audit:

Observations	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Retain records accurately so they can be located when required	✓		
Unallocated member contributions		✓	
Timeliness of month end close		✓	
Bluedoor data migration		✓	
Unauthorised bank signatory		✓	
Triple S Insurance liability claims data file			✓

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2018 Observations

1 - Retain records accurately so they can be located when required

Observation	Super SA has experienced some difficulty in locating stored documents in a timely manner and some member related documentation were not able to be located at all.
Implication	When not able to locate original documents, Super SA is less able to efficiently and appropriately resolve disputes that may arise with members. In addition, when relevant documents cannot be located during a tax or financial statement audit process, this may require that additional or alternative procedures be performed which exceed those initially planned or have other consequences.
Recommendation	Super SA should reassess the current document filing structures and methods and implement improved processes to ensure that all original documentation required to support financial transactions is retained and can be readily located when required. This assessment should include consideration of whether documents should be filed centrally or maintained electronically which, we understand is due to occur as part of the Blue door implementation.
Management response	There were several reasons surrounding the inability to locate documents in a timely manner as follows: <ol style="list-style-type: none"> 1. Timing – Super SA had just gone live with a new administration platform. Resources were extremely stretched while we were concentrating on stabilising Operations. 2. Storage of documents changed pre vs post go-live to accommodate the new system (from member-based filing to batch-filing) and team structures also changed (eg the Post Retirement Products team was disassembled), which caused confusion in locating these documents 3. The data requested was sometimes ambiguous which caused delays, eg requests for documentation for switches which were performed online (therefore there is no documentation), incorrect account IDs, and requests for documents which we do not keep (eg copies of cheques)
Target resolution timing	<ol style="list-style-type: none"> 1. This will not be an issue next year 2. This will not be an issue next year 3. In future Super SA will undertake a review of the requested data immediately on receipt to eliminate any issues with the request early. This will ensure the same delays are minimised going forward.
Responsibility	Director – Member, Insurance and Account Services

2 – Unallocated member contributions

Observation	During our year-end audit procedures, we noted there was approximately \$800k of member contributions in the Triple S scheme which had not been allocated to member accounts as a result of delays in processing.
Implication	When large volumes of data not allocated in a timely manner, this can lead to the incorrect amounts being allocated or an amount allocated to the incorrect member.
Recommendation	Ensure that the mapping and transactional based reporting in Bluedoor is robust and the controls within Bluedoor allow for timely allocation.
Management response	<p>Pre-Bluedoor: Contribution batches remained unprocessed in entirety, until all errors and warnings were fixed. Once all errors and warnings were resolved following investigation and follow-up with employers, the contributions were processed with an effective date of the date we received the funds, to ensure the members are not adversely affected by the delays in allocation.</p> <p>Post-Bluedoor: Only contributions that are impacted by an error or warning are unprocessed. All contributions that are free from errors or warnings are allocated via straight through processing. There is one defect which is currently causing a number of contributions to error. We are working with DST to resolve this defect. Overall, this has resulted in a significant reduction in the amount of contribution proceeds that are unallocated.</p>
Target resolution timing	As per the post-Bluedoor comment above, the new process has improved the status of unallocated contributions significantly. Resolution of the existing defect will lead to further improvements. Timing for resolution of defect is approximately mid-September.
Responsibility	Director – Member, Insurance and Account Services

3 – Timeliness of month end close

Observation	As at the end of August 2018, we identified there were limited month end accounting procedures performed on RIF, Select and Triple S schemes after 30 June 2018, primarily due to remediating Bluedoor allocation issues.
Implication	When there is a delay in timely accounting procedures, this can lead to errors in financial reporting.
Recommendation	Ensure month end close is performed in a timely manner.
Management response	<p>As a result of system defects since Blue-door Go Live and processing difficulties experienced by Member Operations, the general ledger upload process is currently very time consuming and technical in nature requiring detailed reconciliation prior to upload.</p> <p>Staff resourcing did not permit the July 2018 uploads to be undertaken in a timely manner resulting in the month end reconciliations being delayed.</p> <p>Training and additional resources will be allocated to the General Ledger upload task while the system defects are being resolved.</p>
Target resolution timing	2018-19 Financial Year

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Responsibility	Director – Policy and Governance
4. Bluedoor data migration	
Observation	<p>As a part of the Super SA transformation programme a decision was made to proceed with the go live migration from the legacy system to the DST Bluedoor platform. The Project steering committee and sponsoring executive approved the decision to proceed.</p> <p>Through the review of the process, Super SA project has indicated that prior to go live, a technical reconciliation was completed, however a financial reconciliation was not formally completed. Additionally, no external control was established to determine the method of assessing financial position of the fund per investment option as an activity during the go-live process.</p> <p>It has additionally been observed that adjustments have subsequently been made to the investment options on a member by member basis.</p>
Implication	The investment balances per investment option at go live may not reconcile between the general ledger, investments at market and balance in the registry systems.
Recommendation	Reconcile the balances across the general ledger, registry system and the fund manager at an investment level end the end of August 2018. Endorse the reconciled balances by the Executive management including all adjustments on the registry, general ledger adjustments and/or formal notices sent to the investment manager.
Management response	<p>A full reconciliation of all individual member accounts at an investment option level was completed as part of the data migration process. Member accounts which were not correctly migrated (primarily due to negative investment option balances) were identified, and have been subsequently approved for adjustment by the Chief Executive.</p> <p>Due to the business imperative to implement the system the impact of this timing (7 May 2018) was that no financial reconciliation could be completed as part of the data migration process as Funds SA only provide either monthly or quarterly unit holding information, and Admin System to General Ledger reconciliations occur at each month end.</p> <p>A comprehensive financial reconciliation between Funds SA unit holdings by investment option, the Bluedoor registry system and the General Ledger has been completed at 30 June 2018 provides assurance that financial migrated data is complete and accurate, and this reconciliation process will continue to occur throughout 2018-19. NB: Super SA undertakes at the end of each month a complete financial asset reconciliation as part of standard month end close. This is reviewed on a quarterly basis in line with the preparation of the quarterly financial statements presented to the Audit, Risk and Finance committee.</p>
Target resolution timing	Completed
Responsibility	Director – Policy and Governance
5- Unauthorised bank signatory	
Observation	Anthony Steele, a former employee of Super SA continues to be listed as a signatory on the CBA bank account (last day of employment was 24 May 2018).
Implication	Not updating bank signatories increases the risk of unauthorised or fraudulent activity.
Recommendation	We recommend the bank be contacted as soon as possible to update the current signatories and ensure only appropriate staff have access.
Management response	<p>Anthony Steele's signature has been utilised on system produced benefit payment cheques for a number of years prior to his departure from Super SA. The business took steps to remove his signature from the system cheque templates at the time of his departure. The Bluedoor templates were updated via Bluedoor Release v.604, which was deployed on 1/06/18.</p> <p>The SuperB/Crystal templates for the DB Schemes were not able to be updated until 10 July 2018 as this task was dependant on an external service provider.</p> <p>The Office will take steps to update the cheque signatory list on a timely basis, in line with staff movements.</p>
Target resolution timing	Immediate
Responsibility	Director – Policy and Governance

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Attachment: South Australian Superannuation Board

6- Triple S Insurance liability claims data file

Observation	It was observed that for the calculation of the Triple S Insurance liability a complete claims data file was not available following the system migration between Superb and Blue-door. Some insurance benefits were not recorded in Superb if they were paid after the main superannuation benefit had been paid. However, the majority of the claims data was available from Superb. Due to time constraints Super SA used an adjustment based on the differences analysed in the claims data used for financial statement purposes to estimate the total claims. This is expected to produce a materially correct estimate of the Insurance Liability.
Implication	We note that under the new Bluedoor administration system, all insurance benefits should be processed through the system.
Recommendation	We recommend Super SA investigate insurance claims to ensure all data is captured for future periods.
Management response	We acknowledge that there are problems in reconciling data from Bluedoor with financial information in the time available. The ability to report information from Bluedoor should improve significantly during the coming year and Super SA will reconcile information following the mid-year financial statements.
Target resolution timing	2018-19 Financial Year
Responsibility	Director – Policy and Governance

Prior year observations update

1. Superannuation on Paid Parental Leave

Observation	<p>We have noted the need for Super SA to implement processes to ensure that it promptly notifies government entities of significant changes to superannuation legislation impacting the superannuation schemes that its administers.</p> <p>In November 2012 the Southern State Superannuation Act 2009 (the Act) was amended to exclude, from the definition of salary, any amount paid in respect of parental leave.</p> <p>In December 2014 Shared Service SA (SSSA) sought clarification from Super SA regarding employer contributions for employees on paid parental leave. Super SA advised SSSA, at that time, that parental leave had been excluded from the definition of salary.</p> <p>SSSA made the necessary changes to payroll parameters based on this advice in April 2015, meaning that between November 2012 and April 2015 SSSA had erroneously paid employer contributions for employees on parental leave.</p> <p>We were advised that while Super SA had taken a lead role in initiating and managing the changes to the Act, it had not notified affected government agencies of this change.</p> <p>While we appreciate that employers are responsible for calculating and submitting the appropriate superannuation contribution in accordance with the Act, it is reasonable that Super SA should take an active role in informing employers of significant changes to applicable superannuation law.</p>
Implication	Legislative changes affecting superannuation contributions are not implemented, resulting in contributions that are in excess of legislative requirements.

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Recommendation	Implement processes designed to ensure government agencies are promptly notified of significant changes to superannuation legislative affecting the schemes administered by Super SA.
Management response	<p>Super SA has recently taken a more active lead in both discussing proposed changes to legislation and giving advice once legislative changes have been implemented.</p> <p>To further ensure that government agencies are promptly notified of significant changes to superannuation legislation, the Director, Member, Insurance and Account Services will set up meetings at least quarterly with key employer representatives to discuss both forthcoming and recent changes in the superannuation legislative environment, together with any other operational matters which should be drawn to employers' attention.</p>
Target resolution timing	June 2017
Responsibility	Program Director, Projects and Transformation
FY'17 Update	Observation Status: Work In Progress
FY'18 Update	Complete (quarterly meeting are now occurring)

2. Late preparation and review of reconciliations

Observation	<p>SuperB is used by a number of schemes to process contribution receipts and benefit payments. During our audit, we noted the following SuperB to General Ledger reconciliations which were performed and reviewed late, ie more than 30 days after the month end.</p> <table><tr><th>Reconciliation</th><th>Entities affected</th><th>Number of instances</th></tr><tr><td>Data to Cash</td><td>SSS, SASS</td><td>4</td></tr><tr><td>One-off Contributions</td><td>SSS, RIF</td><td>2</td></tr><tr><td>Unallocated Contribution Accounts</td><td>SSS, SASS</td><td>2</td></tr><tr><td>Refund of Overpaid Contribution</td><td>SSS, SASS</td><td>1</td></tr><tr><td>Flexible Rollover Product Contribution</td><td>RIF</td><td>1</td></tr><tr><td>Benefit Payments – Lump Sum</td><td>SASS</td><td>1</td></tr><tr><td>Benefit Payments – Pension</td><td>SASS</td><td>1</td></tr><tr><td>Benefit Payments – Commutations</td><td>SASS</td><td>1</td></tr></table> <p>We have provided details of the above reconciliations to the Manager, Financial Services for his consideration.</p>	Reconciliation	Entities affected	Number of instances	Data to Cash	SSS, SASS	4	One-off Contributions	SSS, RIF	2	Unallocated Contribution Accounts	SSS, SASS	2	Refund of Overpaid Contribution	SSS, SASS	1	Flexible Rollover Product Contribution	RIF	1	Benefit Payments – Lump Sum	SASS	1	Benefit Payments – Pension	SASS	1	Benefit Payments – Commutations	SASS	1
Reconciliation	Entities affected	Number of instances																										
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Benefit Payments – Lump Sum	SASS	1																										
Benefit Payments – Pension	SASS	1																										
Benefit Payments – Commutations	SASS	1																										
Implication	Errors in recording contributions and benefit payments are not identified promptly, resulting in incomplete and inaccurate general ledger records.																											
Recommendation	Ensure all reconciliations are prepared and reviewed promptly.																											
Management response	<p>Analysis of this data has confirmed that reconciliations pertaining to the months of July 2015, October 2015 and December 2015 formed the majority of the instances raised.</p> <p>Management will endeavour to address reconciliations in a timely manner.</p>																											
Target resolution timing	Nov 2016																											
Responsibility	Director – Policy and Governance																											
FY'17 Update	<p>Observation Status: Work in Progress</p> <p>Per discussions made with management, we note that there are still instances during the year wherein reconciliations were not prepared and reviewed in a timely manner (ie more than 30 days after the month end). Having said this, we acknowledge that management will continue to pursue addressing this audit issue on an ongoing basis.</p>																											
FY'18 Update	Management endeavours to address the preparation and review of reconciliations in a timely manner, notwithstanding the continued Bluedoor reporting issues and defects experienced for the Phase 1 schemes.																											

3. Superb confirmation limits

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Attachment: South Australian Superannuation Board

Observation	<p>The SuperB User Group Report outlines a list of SuperB users and their payment confirmation limits.</p> <p>During our review of the SuperB User Group Report, we noted the following misalignment between the confirmation limits set in SuperB and the instrument of delegations:</p> <table><tr><th>Position</th><th>Limit per SuperB</th><th>Limit per instrument of delegation</th></tr><tr><td>Senior Account Services Officer (SASO)</td><td>Up to \$1 million</td><td>Up to \$300,00</td></tr><tr><td>Group Leader</td><td>Up to \$3 million</td><td>Over \$300,00</td></tr></table> <p>We acknowledge that there is a paper-based confirmation process in place to ensure only appropriate payments are being approved. However, this does not prevent staff from confirming payments up to the higher limits set within SuperB.</p>	Position	Limit per SuperB	Limit per instrument of delegation	Senior Account Services Officer (SASO)	Up to \$1 million	Up to \$300,00	Group Leader	Up to \$3 million	Over \$300,00
Position	Limit per SuperB	Limit per instrument of delegation								
Senior Account Services Officer (SASO)	Up to \$1 million	Up to \$300,00								
Group Leader	Up to \$3 million	Over \$300,00								
Implication	Payments are not approved in accordance with the instrument of delegations.									
Recommendation	Ensure that user confirmation limits set in SuperB align with the instrument of delegations.									
Management response	<p>The Office acknowledges this issue and confirms that the paper-based confirmation process has been fulfilled as per approved delegations. The Office notes that no errors have been identified due to this misalignment. The Office advises that it expects to align limits and delegations as part of implementing the new Administration System during calendar year 2017.</p>									
Target resolution timing	In progress									
Responsibility	Director – Member, Insurance and Account Services Director – Policy and Governance									
FY'17 Update	Observation Status: Work in Progress									
FY'18 Update	In Progress									

4. Outdated policies and procedures

Observation	We note from our review of the entity level controls, instances whereby underlying policies and procedures were considered outdated and overdue.
Implication	We highlight the importance in ensuring policies and procedures are up to date to assist in daily operational decision-making processes. Lack of updated policies and procedures may lead to inconsistencies and ambiguity across processes and reporting departments causing inefficiencies.
Recommendation	We recommend management ensure that documented policies and procedures are reviewed and updated regularly.
Management response	All Board Policies relating to Bluedoor Phase 1 including insurance changes and Unit pricing are updated. Board Policies relating to Defined Benefit schemes is being reviewed to incorporate Phase 2 Bluedoor functionality. Procedures relating to Bluedoor Phase 1 functionality continue to be developed.
Target resolution timing	Calendar Year 2018
Responsibility	Director – Policy and Governance

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Appendix B

Overview of Risk Ranking System

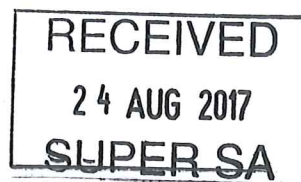
We have rated each finding individually on a stand-alone basis, you should also assess the collective impact of these matters, together with other findings from within your organisation.

High Needs significant improvement	Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair the Group's reputation.
Moderate Needs substantial improvement	Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
Low Needs some improvement	Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

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Our ref: A17/215

22 August 2017



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Ms A Hurley
 Presiding Member
 South Australian Superannuation Board
 Southern Select Super Corporation
 GPO Box 48
 ADELAIDE SA 5001

Dear Ms Hurley

Interim audit of the South Australian Superannuation Board and administered superannuation schemes for 2016-17

The interim 2016-17 audit of the South Australian Superannuation Board and administered superannuation schemes has been completed by my contractors, Ernst and Young. The objective of the audit was to establish whether the major financial systems were operating satisfactorily and produced reliable information for financial decision making and reporting purposes.

1 Audit findings

This year we have identified one low risk finding which is outlined in Appendix A. Please refer to Appendix B for the explanation of the new risk ratings.

Prior year matters have been followed up as part of the 2016-17 audit. These findings together with an update on the progress made in addressing them (as prepared by Ernst and Young) are also detailed in Appendix A.

2 Audit scope

The audit covered the following entities:

- South Australian Superannuation Board (SASB)
- South Australian Superannuation Scheme (SASS)
- Southern State Superannuation Scheme (Triple S)
- Super SA Retirement Investment Fund (RIF)
- Super SA Select (Select)
- Governors' Pensions Scheme (GPS)
- Judges' Pensions Scheme (JPS)
- Parliamentary Superannuation Scheme (Parliamentary SS)
- SA Ambulance Service Superannuation Scheme (Ambulance Super).

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The audit reviewed controls and tested transactions relating to the following areas:

- governance and entity level controls
- contributions revenue
- benefit payments
- unit pricing changes
- cash management
- maintenance of member accounts.

3 Concluding comments

Your acknowledgement of these matters would be appreciated by 30 August 2017.

Finally, I would like to express my appreciation for the cooperation and assistance provided by your staff during the course of the audit.

Yours sincerely



Andrew Richardson

Auditor-General

cc Mr J Montague, General Manager, State Superannuation Office
Mr P McAvaney, Director Policy and Governance
Ms R Gupta, Acting Director, Member Insurance and Account Services
Mr A Kennedy, Manager, Audit and Risk Services

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Appendix A

Summarised below are the key findings from our interim audit.

Management Letter Points ("MLP") for the period ending 30 June 2017

Observation	Description
1	Outdated policies and procedures

Management Letter Points ("MLP") from 30 June 2016 as reported by the Auditor General

Observation	Description	Status
Policy and governance		
1.1	Superannuation on paid parental leave	
Financial services		
2.1	CommBiz payment limits	
2.2	Bank account signatory	
2.3	Capital pension payment reconciliations	
2.4	Late preparation and review of reconciliations	
Member, insurance and account services		
3.1	Pension commutations processing	
3.2	Incorrect contribution rates in SuperB system	
3.3	Superb confirmation limits	
3.4	Review of Internal Transfer reports	
3.5	Calibre Client Details Audit report	
3.6	After-tax member contribution rate changes	
3.7	Review of Payment Exception reports	
3.8	Timeliness of roll-in reviews	
3.9	Outdated policies and procedures	
Strategy and Business Management		
4.1	Review of G Drive access	

Prior Year Observation Status	Status
Remediated in FY16/17	
Work in progress	

Management Letter Points ("MLP") for the period ending 30 June 2017

Outdated policies and procedures

Risk rating	Low
Observation	<p>We note from our review of the entity level controls, instances whereby underlying policies and procedures were considered outdated and overdue.</p> <p>Refer to attached Appendix C for the list of policies and procedures.</p>
Implication	We highlight the importance in ensuring policies and procedures are up to date to assist in daily operational decision-making processes. Lack of updated policies and procedures may lead to inconsistencies and ambiguity across processes and reporting departments causing inefficiencies.
Recommendation	We recommend management ensure that documented policies and procedures are reviewed and updated regularly.
Management response	The Office is reviewing and updating all major policies and procedures as part of the transition and implementation to the new Administration system. Super SA is also in the process of updating policies to reflect the upcoming changes to its insurance products which will be launched in early 2018.
Target resolution timing	In progress
Responsibility	The Board "Policies" will come under the responsibility of Policy and Governance and "Procedures" will be the responsibility of the relevant business areas, predominantly MIAS

Management Letter Points ("MLP") from 30 June 2016 as reported by the Auditor General

1.1 Superannuation on Paid Parental Leave

Observation	<p>We have noted the need for Super SA to implement processes to ensure that it promptly notifies government entities of significant changes to superannuation legislation impacting the superannuation schemes that it administers.</p> <p>In November 2012 the Southern State Superannuation Act 2009 (the Act) was amended to exclude, from the definition of salary, any amount paid in respect of parental leave.</p> <p>In December 2014 Shared Service SA (SSSA) sought clarification from Super SA regarding employer contributions for employees on paid parental leave. Super SA advised SSSA, at that time, that parental leave had been excluded from the definition of salary.</p> <p>SSSA made the necessary changes to payroll parameters based on this advice in April 2015, meaning that between November 2012 and April 2015 SSSA had erroneously paid employer contributions for employees on parental leave.</p> <p>We were advised that while Super SA had taken a lead role in initiating and managing the changes to the Act, it had not notified affected government agencies of this change.</p> <p>While we appreciate that employers are responsible for calculating and submitting the appropriate superannuation contribution in accordance with the Act, it is reasonable that Super SA should take an active role in informing employers of significant changes to applicable superannuation law.</p>
Implication	Legislative changes affecting superannuation contributions are not implemented, resulting in contributions that are in excess of legislative requirements.
Recommendation	Implement processes designed to ensure government agencies are promptly notified of significant changes to superannuation legislative affecting the schemes administered by Super SA.
Management response	<p>Super SA has recently taken a more active lead in both discussing proposed changes to legislation and giving advice once legislative changes have been implemented.</p> <p>To further ensure that government agencies are promptly notified of significant changes to superannuation legislation, the Director, Member, Insurance and Account Services will set up meetings at least quarterly with key employer representatives to discuss both forthcoming and recent changes in the superannuation legislative environment, together with any other operational matters which should be drawn to employers' attention.</p>
Target resolution timing	June 2017
Responsibility	Anthony Steele

FY'17 Update	<p>Observation Status: Work in Progress</p> <p>Per discussions with management, we note a meeting has been organised with employer representatives with the first one scheduled 4 September 2017.</p>
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2.1 CommBiz payment limits

Observation	The CommBiz banking system is used by Super SA to pay its members and suppliers. We noted that payment limits are not in place in CommBiz.
Implication	<p>While we appreciate that the dual authorisation function within CommBiz reduces the likelihood of material error or fraud, establishing payment limits that better reflect the likely value of payment processing will strengthen Super SA's control over payment processing.</p> <p>Implementing a system-imposed payment limit should have no impact on Super SA's processing or business operations.</p>
Recommendation	Ensure appropriate payment limits are set in CommBiz based on business requirements and an assessment of the risks involved.
Management response	<p>Due to the small number of staff in the financial services team, the Office has determined that each user will require the same payment limit to ensure continuity of daily processing is maintained and avoid the risk of non-payment of a transaction on any given day.</p> <p>The Office has determined this amount to be \$400M per transaction. This will ensure that total coverage across the financial services team is maintained at all times, especially in the event of large transactions occurring, including the annual payment of Past Service Liability (approximately \$375M).</p>
Target resolution timing	Sept 2016
Responsibility	Patrick McAvaney
FY'17 Update	<p>Observation Status: Remediated</p> <p>We note a payment limit of \$400m has been implemented in the first instance for payment processing.</p> <p>During the year, an amended limit of \$500M per transaction for specified employees within the financial services team was applied to ensure certain annual transactions that were greater than the initial determined amount of \$400M were able to be processed.</p>

2.2 Bank account signatory

Observation	We noted that the former Manager Governance, Board and Corporate Support, who left Super SA on the last week of June 2016, was still listed as a bank signatory at the time of our review in July 2016.
Implication	Access to Super SA's bank accounts is available to unauthorised persons, including non-Super SA employees.
Recommendation	<p>Remove the former Manager Governance, Board and Corporate Support as bank signatory.</p> <p>Implement a control to ensure the bank signatories list is updated immediately following a signatory's departure from Super SA.</p>
Management response	<p>Subsequent to AG's raising this finding, this ex-employee has been removed as a cheque signatory from all Super SA bank accounts.</p> <p>Bank account access removal is already part of the Super SA employee exit checklist, however, in future Super SA will ensure this is actioned immediately on the resignation of an employee.</p>
Target resolution timing	N/A
Responsibility	Patrick McAvaney

FY'17 Update	<p>Observation Status: Remediated</p> <p>Per examination of the current period bank signatories, we note the former Manager Governance, Board and Corporate Support has already been removed.</p> <p>Further, we did not note any unauthorised employees from those listed as bank signatory at the time of our review in July 2017.</p>
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2.3 Capital pension payment reconciliations

Observation	<p>The Capital system is used by a number of schemes to process SASS pension and Triple S disability payments.</p> <p>During our review of the Capital to General Ledger reconciliations for 30 June 2016, we noted the SASS pension and Triple S disability payments reconciliations disclosed \$6,250,751 and \$1,239,408, respectively in unsupported reconciling items. These relate to miscellaneous pension and temporary disability payments made outside of pension runs.</p> <p>We understand that the Financial Services team performs a manual check each month to ensure all taxed benefit payments per the Capital system (covering most of Triple S temporary disability payments, and majority of SASS pension payments) are recorded in the general ledger. However, this check is not independently reviewed and is not documented as part of the account reconciliation process.</p> <p>No manual review is performed over non-taxable pension payments made outside of pension runs.</p>
Implication	Benefit payments recorded in the general ledger is not complete and accurate.
Recommendation	Attach documentation to support all reconciling items identified in the Capital to General Ledger reconciliation.
Management response	<p>Transactions in the Capital system that attract income tax are manually validated monthly. The Capital system does not provide an automated report that identifies and supports non taxed transactions. All other reconciling items (including miscellaneous pension and temporary disability payments made outside of pension runs) can be identified manually via screen dumps, an extract provided by member services and manual paperwork.</p> <p>An independent review of the manual check of all taxed benefit payments will be implemented and documented by the Office.</p>
Target resolution timing	Nov 2016
Responsibility	Patrick McAvaney
FY'17 Update	<p>Observation Status: Remediated</p> <p>Per examination of related reconciliations, we noted supporting schedules for reconciling items together with preparer and reviewer signatures to signify review thereof.</p>

2.4 Late preparation and review of reconciliations

Observation	<p>SuperB is used by a number of schemes to process contribution receipts and benefit payments. During our audit, we noted the following SuperB to General Ledger reconciliations which were performed and reviewed late, ie more than 30 days after the month end.</p> <table><tr><th>Reconciliation</th><th>Entities affected</th><th>Number of instances</th></tr><tr><td>Data to Cash</td><td>SSS, SASS</td><td>4</td></tr><tr><td>One-off Contributions</td><td>SSS, RIF</td><td>2</td></tr><tr><td>Unallocated Contribution Accounts</td><td>SSS, SASS</td><td>2</td></tr><tr><td>Refund of Overpaid Contribution</td><td>SSS, SASS</td><td>1</td></tr><tr><td>Flexible Rollover Product Contribution</td><td>RIF</td><td>1</td></tr><tr><td>Benefit Payments - Lump Sum</td><td>SASS</td><td>1</td></tr><tr><td>Benefit Payments - Pension</td><td>SASS</td><td>1</td></tr><tr><td>Benefit Payments - Commutations</td><td>SASS</td><td>1</td></tr></table>	Reconciliation	Entities affected	Number of instances	Data to Cash	SSS, SASS	4	One-off Contributions	SSS, RIF	2	Unallocated Contribution Accounts	SSS, SASS	2	Refund of Overpaid Contribution	SSS, SASS	1	Flexible Rollover Product Contribution	RIF	1	Benefit Payments - Lump Sum	SASS	1	Benefit Payments - Pension	SASS	1	Benefit Payments - Commutations	SASS	1
Reconciliation	Entities affected	Number of instances																										
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Benefit Payments - Lump Sum	SASS	1																										
Benefit Payments - Pension	SASS	1																										
Benefit Payments - Commutations	SASS	1																										
Implication	<p>We have provided details of the above reconciliations to the Manager, Financial Services for his consideration.</p> <p>Errors in recording contributions and benefit payments are not identified promptly, resulting in incomplete and inaccurate general ledger records.</p>																											
Recommendation	<p>Ensure all reconciliations are prepared and reviewed promptly.</p>																											

Management response	Analysis of this data has confirmed that reconciliations pertaining to the months of July 2015, October 2015 and December 2015 formed the majority of the instances raised. Management will endeavour to address reconciliations in a timely manner.
Target resolution timing	Nov 2016
Responsibility	Patrick McAvaney
FY'17 Update	Observation Status: Work in Progress Per discussions made with management, we note that there are still instances during the year wherein reconciliations were not prepared and reviewed in a timely manner (i.e. more than 30 days after the month end). Having said this, we acknowledge that management will continue to pursue addressing this audit issue on an ongoing basis.

3.1 Pension commutations processing

Observation	We identified 35 out of 88 pension commutations in 2015-16 which were commuted more than one month after the member application was received. This results in non-compliance with the Superannuation Regulations 2001 which requires the Board to commute the pension within one month after receiving the application from the member.
Implication	Non-compliance with the Superannuation Regulations 2001.
Recommendation	Ensure pensions are commuted within one month of receiving the application in accordance with the Superannuation Regulations 2001.
Management response	Discussions are already in place to amend procedures and ensure commutation is done within one month of receiving applications. Appropriate communication will be organised across all affected teams to ensure a consistent approach with this process.
Target resolution timing	Sept 2017
Responsibility	Anthony Steele
FY'17 Update	Observation Status: Remediated Per discussion with management, we note that action points have been completed from July 2017 onwards. Member communication has now been updated to include a two week processing time to pay any commutation requests from receipt of instructions.

3.2 Incorrect contribution rates in SuperB system

Observation	During our audit, we identified 73 SA Government executives with employer contribution rates of either 9% or 9.25% within the SuperB system. These rates fall below the 9.5% minimum superannuation guarantee contribution rate prescribed by the Superannuation Guarantee (Administration) Act 1992. The contribution rates in the SuperB system are used to generate exception reports when checking the reasonableness of actual contributions received. Errors in these rates compromise the effectiveness of this check.
Implication	Super SA does not identify errors in employer contributions for the identified executives.
Recommendation	Review the contribution rates in the SuperB system to ensure these comply with the minimum requirements of <i>Superannuation Guarantee (Administration) Act 1992</i> .
Management response	The Office will implement steps to ensure the SuperB system contains the appropriate contribution rates for all executives.
Target resolution timing	Dec 2016
Responsibility	Anthony Steele

FY'17 Update	<p>Observation Status: Remediated</p> <p>A full re-assessment of the way contributions are provided for Executive members has been negotiated and implemented with employers during the year.</p> <p>We reviewed the contribution rates in the SuperB system and did not note any employer contribution rates below the 9.5% minimum superannuation guarantee contribution rate.</p>
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3.3 Superb confirmation limits

Observation	<p>The SuperB User Group Report outlines a list of SuperB users and their payment confirmation limits.</p> <p>During our review of the SuperB User Group Report, we noted the following misalignment between the confirmation limits set in SuperB and the instrument of delegations:</p> <table><tr><th>Position</th><th>Limit per SuperB</th><th>Limit per instrument of delegation</th></tr><tr><td>Senior Account Services Officer (SASO)</td><td>Up to \$1 million</td><td>Up to \$300,00</td></tr><tr><td>Group Leader</td><td>Up to \$3 million</td><td>Over \$300,00</td></tr></table> <p>We acknowledge that there is a paper-based confirmation process in place to ensure only appropriate payments are being approved. However, this does not prevent staff from confirming payments up to the higher limits set within SuperB.</p>	Position	Limit per SuperB	Limit per instrument of delegation	Senior Account Services Officer (SASO)	Up to \$1 million	Up to \$300,00	Group Leader	Up to \$3 million	Over \$300,00
Position	Limit per SuperB	Limit per instrument of delegation								
Senior Account Services Officer (SASO)	Up to \$1 million	Up to \$300,00								
Group Leader	Up to \$3 million	Over \$300,00								
Implication	Payments are not approved in accordance with the instrument of delegations.									
Recommendation	Ensure that user confirmation limits set in SuperB align with the instrument of delegations.									
Management response	<p>The Office acknowledges this issue and confirms that the paper-based confirmation process has been fulfilled as per approved delegations. The Office notes that no errors have been identified due to this mis-alignment. The Office advises that it expects to align limits and delegations as part of implementing the new Administration System during calendar year 2017.</p>									
Target resolution timing	In progress									
Responsibility	Anthony Steele									
FY'17 Update	<p>Observation Status: Work in Progress</p> <p>We understand that this will be rectified upon the implementation of Bluedoor project.</p>									

3.4 Review of Internal Transfer reports

Observation	<p>The Internal Transfer (IT) report is a system-generated report which outlines the list of internal transfers confirmed in SuperB. Account Services reviews the IT reports each day to ensure that payments have been confirmed by persons with appropriate delegation. Account Services then signs and provides the IT report to Financial Services as evidence of their review and authorisation for disbursement.</p> <p>We noted that only the SASO reviews the IT reports produced by the Post Retirement Services team. Since the SASO is often the only officer who confirms Post Retirement payments in SuperB, there is generally no independent review of payment confirmations in SuperB before the IT reports are provided to Financial Services for disbursement.</p> <p>In contrast, the IT reports produced by the Triple S and Defined Benefits teams are reviewed by a SASO and the Group Leader.</p>
Implication	Payments arising from internal transfers are not confirmed by persons with appropriate delegation, resulting in incorrect or unauthorised payments to members.
Recommendation	Ensure both the SASO and the Group Leader review the Internal Transfer reports produced by the Post Retirement Services team.
Management response	<p>Ensure both the SASO and the Group Leader review the Internal Transfer reports produced by the Post Retirement Services team.</p> <p>The Office will undertake suitable steps to ensure a consistent approval process across teams.</p>
Target resolution timing	Mar 2017

Responsibility	Anthony Steele
FY'17 Update	<p>Observation Status: Remediated</p> <p>Per our review of underlying documentation supporting the Internal Transfer Reports from the Post Retirement Services Team, we note the signatures of both SASO and Group Leader confirming review thereof.</p>

3.5 Calibre Client Details Audit report

Observation	<p>The Calibre Client Details Audit (CCDA) report is generated and reviewed daily by the SASO. The purpose of this review is to ensure all the changes processed into the members' accounts within the Calibre system are accurate and valid. The Income Stream – Update Account Details procedure requires the SASO to review each entry on the report back to supporting documents.</p> <p>Our review of CCDA reports found that:</p> <ul style="list-style-type: none"> the SASO does not verify all entries (eg changes to bank account details, benefit entitlement amounts and frequency of benefit payments) against supporting documents the SASO's review is not dated.
Implication	Changes processed into members' accounts within the Calibre system are invalid and inaccurate.
Recommendation	Ensure the SASO reviews member account changes outlined in the Calibre Client Details Audit report against supporting documents. The SASO should document the date when the review was performed.
Management response	<p>Ensure the SASO reviews member account changes outlined in the Calibre Client Details Audit report against supporting documents. The SASO should document the date when the review was performed.</p> <p>The Office will review the existing process to include verification of appropriate CCDA report items against source documents along with the date of verification.</p>
Target resolution timing	Dec 2016
Responsibility	Anthony Steele
FY'17 Update	<p>Observation Status: Remediated</p> <p>As above recommended, the SASO now reviews member account changes outlined in the Calibre Client Details Audit report against supporting documents and has indicated the corresponding date of review.</p>

3.6 After-tax member contribution rate changes

Observation	<p>The Superannuation Administrator processes changes to after-tax member contribution rates based on request forms provided by members. Once processed in SuperB, a notification letter is automatically generated and sent to the employer advising of the rate change.</p> <p>The Processing Contribution Rate Changes procedure requires the SASO to review the contribution rate entered into SuperB by the Superannuation Administrator. The SASO signs the contribution rate change checklist as evidence of this review.</p> <p>We noted that the SASOs stopped reviewing contribution rate changes starting May 2016.</p>
Implication	The employer is advised of the incorrect after-tax contribution rate elected by the member, resulting in incorrect employee contributions.
Recommendation	Ensure the SASOs review after-tax contribution rate changes in accordance with the Processing Contributions Rate Changes procedure.
Management response	<p>The Office has already taken steps to complete a review of contribution rate changes. It should be noted that there has been some misunderstanding due to a process improvement discussion that resulted in this review being discontinued.</p> <p>Date of completion: Completion of pending activities by the end of August 2016, and the review process will continue on an ongoing basis thereafter.</p>
Target resolution timing	Aug 2016
Responsibility	Anthony Steele

FY'17 Update	<p>Observation Status: Remediated</p> <p>Per our review of the supporting documentation on changes to after-tax contribution rates, we note SASO signature confirming review in accordance with the Processing Contributions Rate Changes procedure.</p>
3.7 Review of Payment Exception reports	
Observation	<p>A Payment Exception report shows differences between the Electronic Funds Transfer (EFT) payment file from CommBiz and the superannuation system (ie Superb, Capital and Calibre). This report is prepared for each EFT payment batch.</p> <p>We identified the following issues during our review of the Payment Exception report:</p> <ul style="list-style-type: none"> the Payment Exception report is not reviewed by the SASO and Group Leader before payments are disbursed the Financial Services team does not verify that the review is successfully completed prior to disbursement there is no policy governing the review of the Payment Exception report.
Implication	Variances exist between the EFT payment file and confirmed superannuation system payment information, resulting in inaccurate or incomplete payments to members.
Recommendation	<p>Super SA should:</p> <ul style="list-style-type: none"> ensure the Payment Exception report is reviewed by the SASO and Group Leader before payments are disbursed ensure the Financial Services team verifies that the review is successfully completed prior to disbursement establish a policy governing the review of the Payment Exception report.
Management response	The Office acknowledges the above recommendation and will implement an appropriate review of Payment Exception Reports before sending to Finance for disbursal of funds.
Target resolution timing	Mar 2017
Responsibility	Anthony Steele
FY'17 Update	<p>Observation Status: Remediated</p> <p>Per our independent verification, we note that the EFT file can only be generated after disbursement. However, there is a variance review prior to disbursement which addresses the related risks. Aforementioned control was noted to be operating effectively.</p>

3.8 Timeliness of roll-in reviews

Observation	<p>The Roll-in Procedures - Account Services requires the SASO to review roll-ins on the same day as they are processed in SuperB by the Superannuation Administrators.</p> <p>Our review noted that the SASOs' review of roll-ins were not dated. Therefore, there is no documentation to support the timeliness of the SASOs' review of roll-ins.</p> <p>We identified one instance where a SASO did not review a roll-in processed on 22 June 2016 until 13 days after it was processed in SuperB. Further discussions with a SASO revealed that roll-ins often reviewed several days after they are processed due to workload constraints.</p>
Implication	Roll-in details are entered incorrectly into SuperB resulting in processing errors such as crediting roll-ins to incorrect member accounts.
Recommendation	<p>Ensure the SASOs review roll-ins on the same day as they are processed in SuperB in accordance with the Roll-in Procedures – Account Services.</p> <p>The SASOs should document the date when the review was performed.</p>
Management response	The Office will ensure the timeliness of roll-in reviews. The Office has recently (July 2016) automated the roll-in process with reviews performed for manual processing only. Procedures are being updated accordingly.
Target resolution timing	Dec 2016
Responsibility	Anthony Steele
FY'17 Update	<p>Observation Status: Work in Progress</p> <p>Per discussion with management, we note the same day SASOs review of manual roll-ins has been implemented but unfortunately the date when the review was performed has not been added. They have now reinforced that all roll-ins be dated by the checker.</p>

3.9 Outdated policies and procedures

Observation	<p>We noted nine Account Services policies and procedures which are overdue for review, six of which were overdue since January 2013.</p> <table border="1"> <thead> <tr> <th>Policy</th><th>Review due date</th></tr> </thead> <tbody> <tr> <td>AS43 Adding a Contribution (investor or Eligible Spouse) – Post Retirement Services</td><td>01/01/2013</td></tr> <tr> <td>AS44 Flexible Rollover Product – Adding a New Investor</td><td>01/01/2013</td></tr> <tr> <td>AS45 Flexible Rollover Product – Adding a Rollover</td><td>01/01/2013</td></tr> <tr> <td>AS51 Income Stream – Adding a New Investor</td><td>01/01/2013</td></tr> <tr> <td>AS58 Income Stream – Account Details</td><td>01/01/2013</td></tr> <tr> <td>AS50 Flexible Rollover Product – Partial/Full Withdrawals</td><td>01/01/2013</td></tr> <tr> <td>AS54 Income Stream – Commutation</td><td>01/06/2016</td></tr> <tr> <td>AS57 Income Stream – Process pension payment</td><td>25/01/2016</td></tr> <tr> <td>AS118 Flexible Rollover Product – Adding a New Investor via IROF</td><td>01/01/2016</td></tr> </tbody> </table>	Policy	Review due date	AS43 Adding a Contribution (investor or Eligible Spouse) – Post Retirement Services	01/01/2013	AS44 Flexible Rollover Product – Adding a New Investor	01/01/2013	AS45 Flexible Rollover Product – Adding a Rollover	01/01/2013	AS51 Income Stream – Adding a New Investor	01/01/2013	AS58 Income Stream – Account Details	01/01/2013	AS50 Flexible Rollover Product – Partial/Full Withdrawals	01/01/2013	AS54 Income Stream – Commutation	01/06/2016	AS57 Income Stream – Process pension payment	25/01/2016	AS118 Flexible Rollover Product – Adding a New Investor via IROF	01/01/2016
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AS57 Income Stream – Process pension payment	25/01/2016																				
AS118 Flexible Rollover Product – Adding a New Investor via IROF	01/01/2016																				
Implication	Account Services staff follow procedures that do not comply with accepted practice.																				
Recommendation	Ensure that the identified policies and procedures are regularly reviewed and updated.																				

Management response	<p>The Office completed an exercise in 2015-16 to review all procedures and successfully completed updating 43 procedures across the Triple S & DB and Post-Retirement teams.</p> <p>The Office will undertake a similar approach to periodically review procedures and ensure those mentioned above are updated as a priority.</p>
Target resolution timing	N/A
Responsibility	Anthony Steele
FY'17 Update	<p>Observation Status: Remediated</p> <p>We note that Account Services overdue procedures has been updated during the year.</p>

4.1 Review of G Drive access

Observation	<p>The G Drive contains, among other information, benefit payment EFT files which are uploaded into CommBiz for disbursement. The G Drive Guidelines provides guidance on the ongoing management of the G Drive and requires business unit managers to perform a quarterly review over G Drive access for their respective units.</p> <p>During our audit, we noted that Super SA did not review access to the G Drive for the quarter ended December 2015.</p>
Implication	Access to EFT and other restricted files are available to unauthorised staff.
Recommendation	Ensure access to the G Drive is performed regularly in accordance with the G Drive Guidelines.
Management response	<p>Business Improvement notes that Super SA did not review access to the G Drive for the quarter ending December 2015. The activity was not performed due to staff movements within the responsible team. The following mitigation strategies have been put in place to ensure that this action is conducted in the future:</p> <ul style="list-style-type: none"> • Include action on the Business Improvement Plan which outlines monthly schedule of activities; • Include action on the Monthly IT System Support Team Meeting Agenda as a compliance activity to be performed; and • Place a recurring calendar reminder to IT System Support to increase coverage during staff absences.
Target resolution timing	N/A
Responsibility	Garry Powell
FY'17 Update	<p>Observation Status: Remediated</p> <p>We note that a G drive security audit was performed by management on the following dates: a) 1 August 2016; b) 31 October 2016; c) 25 January 2017; and d) 4 May 2017. We note from the review of the latest security audit that amendments to access rights were reviewed and approved accordingly.</p>

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Appendix B: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	This issue represents: <ul style="list-style-type: none">• a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or• a material misstatement in the financial report has occurred.	Requires immediate management intervention with a detailed action plan to be implemented within one month. Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.
High	The issue represents: <ul style="list-style-type: none">• a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or• a material misstatement in the financial report that is likely to occur.	Requires prompt management intervention with a detailed action plan implemented within two months. Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.
Medium	The issue represents: <ul style="list-style-type: none">• a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or• a misstatement in the financial report that is not material and has occurred.	Requires management intervention with a detailed action plan implemented within three to six months.
Low	The issue represents: <ul style="list-style-type: none">• a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or• a misstatement in the financial report that is likely to occur but is not expected to be material; or• an opportunity to improve an existing process or internal control.	Requires management intervention with a detailed action plan implemented within six to 12 months.

Appendix C

Outdated policies and procedures

Policy	Review due date
SUP 20 Voluntary Insurance - Weight Policy	1/02/2011
SUP 24 Voluntary Insurance - Smoking SUP	1/02/2011
SUP 57 Pension and Lump Sum schemes - Removal or Variation of Conditions	1/10/2011
SUP 52 Opting out of Income Protection Insurance	1/03/2013
SUP 38 Collection of contributions from agencies	1/05/2013
SUP 47 Assessing Total and Permanent Disablement Claims	1/06/2013
SUP 53 Assessing Total and Permanent Disability Claims - Pension and Lump Sum	6/07/2013
SUP 11 Claim for Disability Benefits - Payment of Medical Expenses	1/08/2013
SUP 28 Maintaining Benefits After Salary Reduction	1/08/2013
SUP 12 Indexation of Salary for Preserved Benefits	1/11/2013
SUP 29 Indexation of UK Pensions	1/11/2013
SUP 04 Recovery of Overpayments	1/05/2014
SUP 02 Acceptance of Rollovers	1/09/2014
SUP 15 Leave Without Pay LWOP Pension Lump Sum Schemes	1/09/2014
SUP 18 Leave Without Pay - Triple S	1/09/2014
SUP 22 Variation to Members Contribution Rate	1/09/2014
SUP 26 Member Contributions - Underpaid and Overpaid	1/11/2014
SUP 63 Appeals Process	1/11/2014
SUP 05 Temporary Disability (Income Protection)	1/03/2015
SUP 07 Premium for Income Protection	1/04/2015
SUP 54 Exit Rates - SA Ambulance Service Superannuation Scheme	1/04/2015
SUP 36 Days contributions rates fixed each financial year	1/05/2015
SUP 67 Unit Price Adjustment	1/12/2015
SUP 68 Liquidity Management	1/12/2015
SUP 69 General Reserve	1/12/2015
SUP 56 Income Stream Administration Fees	1/05/2016
SUP 72 Insurance Reserve Triple S and FRP	1/05/2016
SUP 73 Insurance Reserve SA Ambulance Super Scheme	1/05/2016
SUP 10 Release of Member Information	1/07/2016
SUP 74 Switch From Fixed to Standard Insurance - Limitation Policy	1/11/2016
SUP 75 Rollover of Preserved Benefits	1/02/2017



Our ref: A19/215

5 September 2019

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Ms D Bennett
Chief Executive Officer
State Superannuation Office
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ADELAIDE SA 5001

Dear Ms Bennett

**Interim and year end audits of the
South Australian Superannuation Board for 2018-19**

The 2018-19 interim and year end audits of the South Australian Superannuation Board (the Board) have been completed by my contractors, Ernst & Young.

1 Audit findings

The audits identified areas where the Board could improve its internal controls. The findings include three high risk and five moderate risk matters which are outlined in Attachment A, along with your agreed responses to the matters. Please refer to the Appendix for an explanation of the risk ratings.

Findings which may impact the collective opinion on financial controls exercised by public authorities

In our audit strategy letter, we highlighted that we would consider the internal controls over the Board and superannuation schemes' Treasury deposit accounts in forming our collective opinion on the financial controls exercised by public authorities, required by the *Public Finance and Audit Act 1987*.

The one moderate risk matter identified in this area, relating to delays in the preparation of bank reconciliations, as outlined in Attachment A will be considered in forming our overall conclusion for the collective financial controls opinion, including the collective impact of these issues.

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While we did identify one low risk matter as well, as outlined in Attachment A, we do not consider this would individually impact our overall conclusion for the collective financial controls opinion.

2 Audit scope

The audit covered the following entities:

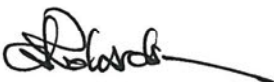
- South Australian Superannuation Board
- South Australian Superannuation Scheme
- Southern State Superannuation Scheme
- Super SA Retirement Investment Fund
- Super SA Select
- Governors' Pension Scheme
- Judges Pension Scheme
- Parliamentary Superannuation Scheme
- SA Ambulance Service Superannuation Scheme.

The audit reviewed controls relating to:

- governance
- contributions revenue
- benefit payments
- cash management
- investments
- maintenance of member accounts
- IT general controls
- reconciling superannuation data from the superannuation administration systems to the general ledger

I would like to thank the staff and management of your agency for their cooperation and assistance during the audit.

Yours sincerely



Andrew Richardson
Auditor-General

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Attachment A: 2018-19 audit findings

Summary of recommendation issues/risk ranking

The following table summarises the key issues and their risk ranking from the 2019 interim audit:

Interim audit observations	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Unmatched contributions within Bluedoor	✓		
Delays in the processing of financial information		✓	
Payments over \$300 000 without appropriate approval		✓	
IT general and application controls		✓	

Controls over Treasury deposit accounts	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Delay in the preparation of bank reconciliations		✓	
Overdraft bank balances			✓

Year end audit observations	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Audit trail of transactional data between the general ledger and Bluedoor	✓		
Key personnel risk	✓		
Inability of the aging MYOB general ledger software to ingest detailed transactional listings at the member level		✓	

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Attachment A: 2018-19 audit findings

Interim audit observations

1 – Unmatched contributions within Bluedoor

Observation

As at 31 May 2019, there was approximately \$458 million of unmatched contributions. The primary cause of the large unmatched contributions balance was due to DST Bluedoor's treatment of intra-scheme transfers. DST Bluedoor does not recognise the transfer of cash between each scheme. This approach results in an unmatched contribution amount to the value of the rollover which cannot be closed or discarded by the Account Services or Finance team.

Implication

The material unmatched contribution balance may increase the risk of internal fraud through operational teams misappropriating unmatched contributions to their own and/or a known associate's account. The size of the unresolved balance increases the risk that such an event will go undetected.

Recommendation

We recommend management:

- prioritise the system enhancement to correctly recognise the cash component for intra-scheme transfers; and
- perform a periodic review of unmatched contributions that are aged greater than 12 months.

Management response

Management agrees with the Auditor's observation of the May unmatched contribution balance, and notes that the driver of this figure was known receipts, largely arising from intra-fund transfers and duplicate receipts created in error. Duplicate receipts which are created in error are distinctly different from actual unmatched fund amounts. It is agreed that a high volume of unmatched receipts creates control and monitoring risks, and this risk has now been addressed.

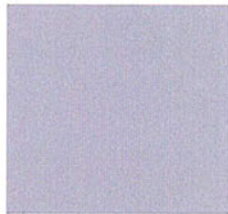
A number of enhancements have been deployed in Bluedoor so that all receipts as a result of intra-scheme transfers are now automatically matched. These include the following:

Bluedoor ALM	Description	Date In Production	Amount
998 – Enhancement	Batch Job to automate matching of receipts from Account Transfers	11-Jun	\$500,405,535
1037 – Datafix	Datafix to change status of receipts to Dishonour for receipts identified by Martin	14-Aug	\$6,368,818
1038 – Datafix	Datafix to change status of receipts to Dishonour for receipts identified by Martin	5-Aug	\$29,593,123
1041 – Datafix	Datafix to change status of receipts to Matched for receipts identified by Martin (Status of 836 receipts were unmatched but all had been allocated to accounts)	5-Aug	\$0
1086 – Datafix	Datafix to change status of receipts to Matched for receipts identified by Martin	6-Aug	\$22,456,269
706 – Code Fix	Manual Government Contribution Processing doesn't match to a receipt and user cannot manually match them	April	\$0
948 – Datafix	Datafix for ALM 706	813 release (ETA- Oct19)	\$150,432

The remaining unmatched contributions at 30 June 2019 was \$604 000, confirmed by the Operations team. This amount is consistent with the industry expectation that all funds will receive some incorrect contributions during any given period. This is driven by a range of external factors, including old employer information, data matching issues, incorrect data supplied by employers, timing variances, etc. Given these

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Attachment A: 2018-19 audit findings



Target resolution
timing

external drivers, a state of 100% matching is not attainable at the industry level, however, monitoring is agreed to be best practice.

The Operations team has created a process to monitor newly arising unmatched contributions on an ongoing basis.

Complete

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Attachment A: 2018-19 audit findings

2 – Delays in the processing of financial information	
Observation	<p>Phase one of the Bluedoor implementation occurred in May 2018. Since the implementation, there have been a number of IT related issues within Bluedoor which delayed the monthly financial reporting process.</p> <p>We noted monthly financial reporting reconciliations from July to November 2018 were not prepared until December 2018. Given the breakdown in financial reporting controls during the first half of the financial year, we are unable to rely on controls and have adopted a fully substantive audit approach for the 2019 year end audit.</p> <p>We acknowledge that management have rectified this issue in December 2018 and January 2019.</p>
Implication	<p>Significant delays in the processing of financial information heightens the risk of financial reporting errors and errors going undetected.</p>
Recommendation	<p>Ensure month end close is performed promptly.</p>
Management Response	<p>Management agrees that delays in monthly reporting creates control and monitoring risks, and sought to urgently close this issue during the FY18/19 period.</p> <p>With the implementation of the Bluedoor enhancement, this issue is now resolved and reconciliations are being completed monthly. Management agrees with the auditor observations with respect to financial controls during the first half year being a lesser priority during Bluedoor remediation works, and thanks the Auditor for their efforts during the fully substantive audit.</p>
Target resolution timing	<p>Complete</p>

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Attachment A: 2018-19 audit findings

3 – Payments over \$300 000 without appropriate approval

Observation	<p>Under the current Board approved Delegation of Authority, benefit payments greater than \$300 000 requires approval by a Team Leader.</p> <p>Currently, the Bluedoor workflow has not been programmed to automatically require a Team Leader to approve benefit payments greater than \$300 000. For the period July 2018 to April 2019, there have been 14 occasions where these payments were not appropriately approved.</p>
Implication	<p>Unauthorised or fraudulent payments could be made to incorrect members.</p>
Recommendation	<p>We recommend an application control is built into Bluedoor that requires approval by the Team Leader that aligns with the Super SA Delegation of Authority.</p>
Management response	<p>Management agrees with the Auditor's recommendations.</p> <p>As an immediate treatment, a report has been created which outlines all payments over \$300 000 and the associated Group Leader check. This report is generated and checked daily as an interim control.</p> <p>A formal system control in Bluedoor has been raised, which specifies that this workflow control is enforced. This work is targeted for the 8.14 release, due December 2019.</p>
Target resolution timing	<p>Interim monitoring & treatment- Complete</p> <p>System control- December 2019</p>

Attachment A: 2018-19 audit findings

4 – IT general and application controls

Observation

Ernst & Young (EY) IT Risk Assurance held a meeting on 16 May 2019 with key members of the IT team at Super SA to both provide an overview of the current environment supporting Bluedoor and the extent and duration of controls in place over the application and supporting database required to achieve ITGC Reliance.

Based on the presentation and subsequent conversation it was established that whilst many of the expected controls had been implemented during FY19 both within Super SA and between Super SA and Department of Treasury and Finance (DTF) who are supporting the application, many of the controls were developed during the financial year and not at the start of FY19.

Implication

Inability to rely on IT general controls and application controls given they were not in operation for the full 12 months of the financial year.

Recommendation

As agreed with the Super SA IT team, EY will arrange more detailed walkthroughs of current processes in August 2019 to formally document the design of controls in place for FY20 and provide remedial recommendations. Test of controls will not be undertaken at this point in time however these walkthroughs will be leveraged during testing for FY20.

Management response

In June 2019, Super SA appointed a new Director of Finance Business Transformation, Erin Fitzgerald, who has specialised skills in enterprise information technology and accounting systems management. A key objective of this appointment is to identify and treat existing risks, and to anticipate and prevent issues from arising in future.

It is acknowledged and agreed that Super SA's reliance upon DTF ICT is an operational constraint, which management must comply with. It is agreed that there will be occasions where Super SA is not able to fully control or give assurance coverage of all systems, infrastructure or processes during Business System Lifecycle Management (BSLM).

It is noted that Super SA are responsible for:

- business system (application) ownership, including user access and prioritisation of all works (incidents, support, enhancement)
- application vendor/consultant selection and ongoing management to service level agreements (SLAs)
- measurement and cost of Application license and support consumption
- business governance of change controls and user management

It is noted that DTF ICT are responsible for:

- business infrastructure ownership, including provision of servers for both applications (software) and databases (data store/access), networks, security and devices
- infrastructure governance, services design, selection and service management to SLAs
- measurement and cost of services provided
- Helpdesk incident management and support of infrastructure

Attachment A: 2018-19 audit findings

Implemented by Super SA during FY18/19:

- Management agrees with the Auditor's recommendation to review and uplift Super SA Enterprise IT controls. An internal audit review commenced in August 2019, for the purpose of reviewing Super SA change processes and controls, and detailed recommendations will be provided at the Audit Finance & Risk Committee forum.

March 2020

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Attachment A: 2018-19 audit findings

Controls over Treasury deposit accounts

1 – Delays in performing bank reconciliations	
Treasurers Instructions	<i>All deposit and special deposit accounts are reconciled at the end of each month and checked by an independent officer (TI 6.18).</i>
Observation	We noted bank reconciliations for the period July to November 2018 were prepared in December 2018 due to several software issues in Bluedoor. We acknowledge that management have rectified this issue.
Implication	Significant delays in the processing of financial information heightens the risk of financial reporting errors.
Recommendation	Ensure month end close bank reconciliations are performed in a timely manner and checked by an independent officer.
Management response	Management agrees with the Auditor's counsel regarding timely financial reporting as a business critical requirement. With the implementation of the Bluedoor enhancements this issue is now resolved, and bank reconciliations are being completed in a timely manner. The appropriate data fixes were implemented in Bluedoor in December 2018 which only then allowed the Financial Services team to commence a year to date reconciliation of the relative bank accounts, effective 1 July 2018.
Target resolution timing	Complete

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Attachment A: 2018-19 audit findings

2 – Overdraft bank balances

Treasurers Instructions

Each Chief Executive shall ensure that at no time are any special deposit accounts and deposit accounts overdrawn. Where a special deposit account or deposit account is or will become overdrawn, the matter must be rectified immediately (TI 6.7).

Observation

Between 1 July 2018 to 30 April 2019, the following bank accounts entered into an overdraft position:

Deposit accounts	Number of times the bank balance entered into an overdraft position
Board	5 occurrences
SASS	23 occurrences
Triple S	1 occurrence

We acknowledge that in each of the aforementioned occurrences, Super SA management immediately rectified the overdraft position the next business day.

Implication

Bank overdrafts can lead to:

- non-compliance with Treasurer Instructions; and
- cash management issues

Recommendation

Implement a treasury cash flow function to manage expected future cash flows to actively manage the cash balances to ensure bank accounts do not enter an overdraft position.

Management response

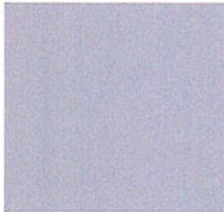
It is agreed that cash liquidity is a business critical monitoring discipline. However, it should be noted that the bank accounts, while having a one to one relationship to the special deposit accounts (SDAs), are not the same. The bank accounts for each scheme and the Board are maintained by the Commonwealth Bank, and are managed as part of the whole of State Government banking set off facility.

By comparison, the SDAs are the ledger accounts maintained by DTF in their central general ledger.

Discussion with Treasury did not identify instances where the SDAs were in debit, and as such there is no identified breach of the Treasurer's Instruction 6.7. Further, this current cash management practice aims to maximise investment returns for the State Government from Superannuation Funds Management Corporation of South Australia (Funds SA), and is intentional, and does not represent underlying cash management issues.

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Attachment A: 2018-19 audit findings



However, given there is a one to one relationship between the Commonwealth Bank Accounts and the SDAs, Super SA will engage with the Department of Treasury and Finance to seek further clarification on this matter, and if necessary, seek exemption from the Treasurer's Instruction requirement.

Target resolution
timing

March 2020

Attachment A: 2018-19 audit findings

Year end audit observations

1 – Audit trail of transactional data between the general ledger and Bluedoor

Observation

As part of our year end audit procedures, we performed substantive testing over member contributions receipted and benefits paid for the schemes on Bluedoor. We noted a number of our samples selected required manual overrides and adjustments of datasets in order to reconcile between the general ledger, Bluedoor and the bank statement.

An example of the manual process for a contribution receipted is illustrated below:

- General ledger data is provided for each of the contribution accounts.
- The dataset of transactions for all contribution accounts are pivoted to create a daily batch. This forms the basis of our population to select a sample to test.
- Obtain detailed contribution summaries in Bluedoor to reconcile back to the daily general ledger amount.
- Reconcile the Bluedoor and general ledger amounts to the bank statement.
- Investigate variances and the cause of variances.
- Obtain the supporting documentation to support the variance and that it has been correctly recorded.

We note that the vast majority of variances are caused due to the general ledger figure being higher than the bank transaction due to direct-debit agency contributions being submitted to Bluedoor after the direct-debit batch process has been run for the day, this leads to an entry in the general ledger but not in the bank statement. These transactions are timing differences and generally appear in the bank statement the following business day. In addition, the reversal and re-processing of intra-scheme transfers due to account fixes leads to an entry in the general ledger but not the bank statement, these transactions required manual reversals with these reversals also generating timing differences.

An example of the manual process for a benefit paid transaction is illustrated below:

- General ledger data is provided for each of the benefit accounts.
- The dataset of transactions for all benefit accounts are pivoted to create a daily batch. This forms the basis of our population to selection of a sample to test.
- Obtain detailed benefit summaries in Bluedoor to reconcile back to the daily general ledger amount.
- Reconcile the Bluedoor and general ledger amounts to the bank statement.
- For any variances between the general ledger/Bluedoor/bank statement, we obtain reports for the following types of issues that may relate to the cause of the variance:
 - any payments with no account number

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Attachment A: 2018-19 audit findings

	<ul style="list-style-type: none">— any reversed payments— any intra-scheme transfers— any amounts receipted on a subsequent day after Bluedoor or general ledger cut off— any cheque timing differences compared to the cheque register.• Obtain supporting documentation to support the variance and that it has been correctly recorded. <p>Through investigating variances, there was no uniform approach that could be taken to investigate the variance with each variance having its own unique cause.</p>
Implication	Manual intervention of large volumes of datasets heightens the risk of human error and untimely identification and clearance of reconciling items.
Recommendation	<p>We recommend an interface between the transactional data within Bluedoor and the general ledger is performed daily to ensure all transactions align and correctly reflect actual posting dates and a complete and accurate audit trail maintained.</p> <p>Due to the high volume and value of transactions, we recommend Bluedoor is configured to a level where automation can occur for transactions and limit the ability for manual intervention to occur within the financial reporting process, for example, using hard dates as an identifier.</p> <p>We recommend that Super SA review the transactional flow and mapping between Bluedoor, general ledger and banking system to structure a transactional flow that provides an effective audit trail for core transaction flows.</p>
Management response	<p>Management is in strong agreement with the Auditor's observations of the manual nature of the current Finance team processes and is extremely supportive of taking steps to mature Super SA enterprise practices in line with industry expectations. This substantive audit approach has been an excellent resource for Super SA to support the Finance Management team in their continuous improvement of policies, procedures and platforms.</p> <p>As part of Super SA's Board endorsed strategic Initiatives, the business will be undertaking work to define the target state operating model. A guiding principle of this work is to ensure that Super SA aligns to Superannuation Industry standards and best practice principles. The Super SA Executive team have committed to completing this target state work by June 2020.</p> <p>It is agreed that the target state operating model should include system integrations between various key 'sources of truth', eg:</p> <ul style="list-style-type: none">• Fund SA (unit prices, asset values)• general ledger (cash flows, chart of accounts structures)

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Attachment A: 2018-19 audit findings

- registry systems- including Bluedoor (member balances and transactions)

The Super SA Management team has already prioritised a range of initiatives, which will set technical foundations for moving to the auditors recommendations, including:

- Data Strategy & Framework review (Super SA Board strategic initiative- March 2020)
- Fund SA Custodian project (ingestion of granular asset and unit price information with full audit trail, March 2020)
- forward unit pricing (supported at August 2019 Super SA Board meeting for delivery between March-June 2020)

Not yet prioritised, but known to require delivery consideration is:

- Review of the general ledger software, configuration and hardware performance (current MYOB application and server is coming to end of life)

In setting the procedural, policy and technical foundations for maturation of the above, it is noted that the benefits of the above Super SA delivery program will not all be fully realised within the FY19/20 period. There are material dependencies (such as Fund SA and DTF ICT) and a review of the general ledger has not yet been presented to the Super SA Board.

It is expected that some uplift in audit trail data quality, as well as raising the number of integrations (thus lowering manual steps) will be reached during the FY19/20 period. Full realisation will require a review of the general ledger software and configuration, with a transition to new software very likely. This uplift must first be in place to facilitate many of the recommended integrations, as the current software will not support these automations.

As more key delivery dates and scope decisions are known, these will be communicated to the Audit Finance and Risk Committee for decisions and oversight.

Target resolution
timing

For ongoing review during FY19/20

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Attachment A: 2018-19 audit findings

2 – Key personnel risk	
Observation	We note Super SA are reliant on one key member of the finance team to perform the accounting reconciliations and analysis over the schemes that are on DST Bluedoor. For the volume of transactions under process, this is unsuitable and high risk.
Implication	Over reliance on one key individual can lead to unintentional and undetected financial reporting errors due to minimal oversight and review.
Recommendation	We recommend further training is implemented to ensure knowledge is dispersed amongst other members of the finance team in performing accounting reconciliations over the schemes on Bluedoor.
Management response	<p>Management is in strong agreement with the Auditor's observations of key person risk.</p> <p>In June 2019, Super SA appointed a new Director of Finance Business Transformation, Erin Fitzgerald, who has specialised skills in enterprise information technology and accounting systems management. A key objective of this appointment is to identify and treat existing risks, and to anticipate and prevent issues from arising in future.</p> <p>It is recommended that key person treatment be captured as part of the general ledger review work. Analysis documentation will be created as part of any software review, and this offers the best opportunity to create a fulsome training view. Any general ledger project work will also require this key person risk to be treated prior to commencement. This is because the current key person will be required to act as a business SME (subject matter expert) in the project, and this usually requires another team member to give coverage to BAU work.</p> <p>Board submission pre-work to review the current general ledger state and provide target state requirements are underway now, and submission to the Board is targeted for the February 2020 meeting.</p>
Target resolution timing	June 2020

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Attachment A: 2018-19 audit findings

3 – Inability of the aging MYOB general ledger software to ingest detailed transactional listings at the member level	
Observation	<p>Bluedoor can generate an extensive listing of member transactions, for both contributions received and benefits paid for the audit period, as well as cutting this data by scheme, dates, contribution type, etc. The data available is rich, and contains sufficient information to audit member level cash flows.</p> <p>An audit trail gap occurs at the point of data ingestion to the aging MYOB general ledger. The MYOB ledger can only receive a limited number of fields, which creates an issue reconciling member level balances between the Bluedoor Registry system and the MYOB general ledger. This lack of detailed integration is the root cause of Issue 1, noted above.</p>
Implication	<p>When detailed transactional data is not ingested into the general ledger, it does not leave a clear audit trail and efficiencies through testing of IT systems cannot be realised.</p>
Recommendation	<p>We recommend that the MYOB general ledger is configured to a level that reconciles to the member detail available in the Bluedoor registry system.</p>
Management response	<p>Management is in strong agreement with the Auditor's observations of the need for a general ledger system detailed audit trail. Upon reviewing the audit trail information available from Bluedoor, this data is significantly richer than the data available from our legacy registry systems Super B and Capital. Data available includes effective dates, unit price dates, transaction ID numbers, running balance calculations, etc. It is agreed that the reconciliation issue has arisen because the MYOB general ledger has not been uplifted alongside this newly available level of data detail, and that this issue requires review and, ultimately, upgrade.</p> <p>The MYOB shortcomings were also noted in the ARFC meeting on 9 August 2019, as part of the Director of Finance and Business Transformations' recital of review efforts, prior to presentation of the draft Financial Statements. It is noted that acceptance of any MYOB general ledger system upgrade is still subject to the full technical review of the Director, Finance and Business Transformation, as well as the approval of the Super SA Board. Given these dual dependencies, management is not yet able to commit to a delivery date. It is therefore suggested that a watching brief be maintained by the Audit Finance & Risk Committee.</p>
Target resolution timing	<p>For ongoing review during FY19/20</p>

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Appendix: Explanation of risk ratings

Overview of risk ranking system

We have rated each finding individually on a stand-alone basis, you should also assess the collective impact of these matters, together with other findings from within your organisation.

High Needs significant improvement	Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair the group's reputation.
Moderate Needs substantial improvement	Corrective action is required, generally within six months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.
Low Needs some improvement	Corrective action is required, generally within six to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.

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Our ref: A16/215

16 August 2016

Mr J Montague
General Manager
State Superannuation Office
GPO Box 48
ADELAIDE SA 5001

Dear Mr Montague

**Interim audit of the South Australian Superannuation Board and
administered superannuation schemes**

We have completed our interim audit of the financial activities of the South Australian Superannuation Board and the superannuation schemes administered by the State Superannuation Office (Super SA) as defined in our audit scope below.

A written response to our audit findings, which are detailed in the attachment to this letter and which were discussed with the relevant managers and directors, would be appreciated by 24 August 2016.

Audit scope

The audit covered the following entities:

- South Australian Superannuation Board (the Board)
- South Australian Superannuation Scheme (SASS)
- Southern State Superannuation Scheme (Triple S)
- Super SA Retirement Investment Fund (RIF)
- SA Ambulance Service Superannuation Scheme (Ambulance Super)
- Super SA Select (Select)
- Judges' Pensions Scheme (JPS)
- Governors' Pensions Scheme (GPS)
- Parliamentary Superannuation Scheme (PSS).

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The audit reviewed controls and tested transactions relating to the following areas:

- governance and entity level controls
- contributions revenue
- benefit payments
- maintenance of member accounts.

Audit findings

Summarised below are the key findings from our interim audit. Details are outlined in the attachment to this letter.

- Noting that Shared Services SA and other government agencies were unaware of significant changes made to the *Southern State Superannuation Act 2009* in November 2012, we have recommended that Super SA take a more active role in notifying applicable agencies of future changes in superannuation law.
- Super SA has not established payment limits in in CommBiz online banking system. Implementing payment limits in CommBiz will strengthen Super SA's control environment with minimal impact on business operations.
- We noted a significant number of pension commutations that were commuted outside the time frame stipulated in the *Superannuation Regulations 2001*.
- Payment confirmation limits set in the SuperB system do not align with the instrument of delegations.
- Super SA does not review the Payment Exception report, which identifies the differences between the Electronic Funds Transfer (EFT) file and the superannuation system, until after payments are disbursed.

Thank you for the cooperation and support extended to the audit team.

Yours sincerely

Andrew Richardson
Auditor-General

enc

cc: Mr P McAvaney, Director, Policy and Governance
Mr A Steel, Director, Member Insurance and Account Services
Mr A Kennedy, Manager, Audit and Risk Services

Index

1	Policy and governance	4
1.1	Superannuation on paid parental leave	4
2	Financial services	5
2.1	CommBiz payment limits	5
2.2	Bank account signatory	5
2.3	Capital pension payment reconciliations	6
2.4	Late preparation and review of reconciliations	6
3	Member, insurance and account services	8
3.1	Pension commutations processing	8
3.2	Incorrect contribution rates in SuperB system	8
3.3	Superb confirmation limits	9
3.4	Review of Internal Transfer reports	9
3.5	Calibre Client Details Audit report	10
3.6	After-tax member contribution rate changes	11
3.7	Review of Payment Exception reports	11
3.8	Timeliness of roll-in reviews	13
3.9	Outdated policies and procedures	13
4	Strategy and Business Management	15
4.1	Review of G Drive access	15

1 Policy and governance

1.1 Superannuation on paid parental leave

Entity: Triple S

We have noted the need for Super SA to implement processes to ensure that it promptly notifies government entities of significant changes to superannuation legislation impacting the superannuation schemes that it administers.

In November 2012 the *Southern State Superannuation Act 2009* (the Act) was amended to exclude, from the definition of salary, any amount paid in respect of parental leave.

In December 2014 Shared Service SA (SSSA) sought clarification from Super SA regarding employer contributions for employees on paid parental leave. Super SA advised SSSA, at that time, that parental leave had been excluded from the definition of salary.

SSSA made the necessary changes to payroll parameters based on this advice in April 2015, meaning that between November 2012 and April 2015 SSSA had erroneously paid employer contributions for employees on parental leave.

We were advised that while Super SA had taken a lead role in initiating and managing the changes to the Act, it had not notified affected government agencies of this change.

While we appreciate that employers are responsible for calculating and submitting the appropriate superannuation contribution in accordance with the Act, it is reasonable that Super SA should take an active role in informing employers of significant changes to applicable superannuation law.

Risk exposure

Legislative changes affecting superannuation contributions are not implemented, resulting in contributions that are in excess of legislative requirements.

Audit recommendation

Implement processes designed to ensure government agencies are promptly notified of significant changes to superannuation legislative affecting the schemes administered by Super SA.

2 Financial services

2.1 CommBiz payment limits

Entities: The Board and all superannuation schemes

The CommBiz banking system is used by Super SA to pay its members and suppliers. We noted that payment limits are not in place in CommBiz.

Risk exposure

While we appreciate that the dual authorisation function within CommBiz reduces the likelihood of material error or fraud, establishing payment limits that better reflect the likely value of payment processing will strengthen Super SA's control over payment processing.

Implementing a system-imposed payment limit should have no impact on Super SA's processing or business operations.

Audit recommendation

Ensure appropriate payment limits are set in CommBiz based on business requirements and an assessment of the risks involved.

2.2 Bank account signatory

Entities: The Board and all superannuation schemes

We noted that the former Manager Governance, Board and Corporate Support, who left Super SA on the last week of June 2016, was still listed as a bank signatory at the time of our review in July 2016.

Risk exposure

Access to Super SA's bank accounts is available to unauthorised persons, including non-Super SA employees.

Audit recommendation

Remove the former Manager Governance, Board and Corporate Support as bank signatory.

Implement a control to ensure the bank signatories list is updated immediately following a signatory's departure from Super SA.

2.3 Capital pension payment reconciliations

Entities: SASS, Triple S

The Capital system is used by a number of schemes to process SASS pension and Triple S disability payments.

During our review of the Capital to General Ledger reconciliations for 30 June 2016, we noted the SASS pension and Triple S disability payments reconciliations disclosed \$6 250 751 and \$1 239 408, respectively in unsupported reconciling items. These relate to miscellaneous pension and temporary disability payments made outside of pension runs.

We understand that the Financial Services team performs a manual check each month to ensure all taxed benefit payments per the Capital system (covering most of Triple S temporary disability payments, and majority of SASS pension payments) are recorded in the general ledger. However, this check is not independently reviewed and is not documented as part of the account reconciliation process.

No manual review is performed over non-taxable pension payments made outside of pension runs.

Risk exposure

Benefit payments recorded in the general ledger is not complete and accurate.

Audit recommendation

Attach documentation to support all reconciling items identified in the Capital to General Ledger reconciliation.

2.4 Late preparation and review of reconciliations

Entities: Triple S, SASS, RIF

SuperB is used by a number of schemes to process contribution receipts and benefit payments.

During our audit, we noted the following SuperB to General Ledger reconciliations which were performed and reviewed late, ie more than 30 days after the month end.

Reconciliation	Entities affected	Number of instances
Data to Cash	SSS, SASS	4
One-off Contributions	SSS, RIF	2
Unallocated Contribution Accounts	SSS, SASS	2
Refund of Overpaid Contribution	SSS, SASS	1
Flexible Rollover Product Contribution	RIF	1
Benefit Payments – Lump Sum	SASS	1
Benefit Payments – Pension	SASS	1
Benefit Payments – Commutation	SASS	1

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We have provided details of the above reconciliations to the Manager, Financial Services for his consideration.

Risk exposure

Errors in recording contributions and benefit payments are not identified promptly, resulting in incomplete and inaccurate general ledger records.

Audit recommendation

Ensure all reconciliations are prepared and reviewed promptly.

3 Member, insurance and account services

3.1 Pension commutations processing

Entity: SASS

We identified 35 out of 88 pension commutations in 2015-16 which were commuted more than one month after the member application was received. This results in non-compliance with the *Superannuation Regulations 2001* which requires the Board to commute the pension within one month after receiving the application from the member.

Risk exposure

Non-compliance with the *Superannuation Regulations 2001*.

Audit recommendation

Ensure pensions are commuted within one month of receiving the application in accordance with the *Superannuation Regulations 2001*.

Management response: The Office notes the above recommendation. Discussions are already in place to amend procedures and ensure commutation is done within one month of receiving application. Appropriate communication will be organised across all affected teams to ensure a consistent approach with this process.

Expected date of completion – 31 Dec 2016

3.2 Incorrect contribution rates in SuperB system

Entity: Triple S

During our audit, we identified 73 SA Government executives with employer contribution rates of either 9% or 9.25% within the SuperB system. These rates fall below the 9.5% minimum superannuation guarantee contribution rate prescribed by the *Superannuation Guarantee (Administration) Act 1992*.

The contribution rates in the SuperB system are used to generate exception reports when checking the reasonableness of actual contributions received. Errors in these rates compromise the effectiveness of this check.

Risk exposure

Super SA does not identify errors in employer contributions for the identified executives.

Audit recommendation

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2015-16 audit

Review the contribution rates in the SuperB system to ensure these comply with the minimum requirements of *Superannuation Guarantee (Administration) Act 1992*.

Management response: The Office notes the above recommendation and will implement steps to ensure the SuperB system contains the appropriate contribution rates for all executives.

Date of Completion: 31 Dec 2016

3.3 Superb confirmation limits

Entities: Triple S, SASS, RIF, Ambulance Super, Select, PSS

The SuperB User Group Report outlines a list of SuperB users and their payment confirmation limits.

During our review of the SuperB User Group Report, we noted the following misalignment between the confirmation limits set in SuperB and the instrument of delegations:

Position	Limit per SuperB	Limit per instrument of delegations
Senior Account Services Officer (SASO)	up to \$1 million	up to \$300 000
Group Leader	up to \$3 million	over \$300 000

We acknowledge that there is a paper-based confirmation process in place to ensure only appropriate payments are being approved. However, this does not prevent staff from confirming payments up to the higher limits set within SuperB.

Risk exposure

Payments are not approved in accordance with the instrument of delegations.

Audit recommendation

Ensure that user confirmation limits set in SuperB align with the instrument of delegations.

Management response: The Office notes acknowledges the above issue and confirms that the paper-based confirmation process has been fulfilled as per approved delegations. The Office notes that no errors have been identified due to this mis-alignment. The Office advises that it expects to align limits and delegations as part of implementing the new Administration system during calendar year 2017.

Date of Completion: 31 December 2017

3.4 Review of Internal Transfer reports

Entities: SASS, RIF

The Internal Transfer (IT) report is a system-generated report which outlines the list of internal transfers confirmed in SuperB. Account Services reviews the IT reports each day to ensure that payments have been confirmed by persons with appropriate delegation. Account Services then signs and provides the IT report to Financial Services as evidence of their review and authorisation for disbursement.

We noted that only the SASO reviews the IT reports produced by the Post Retirement Services team. Since the SASO is often the only officer who confirms Post Retirement payments in SuperB, there is generally no independent review of payment confirmations in SuperB before the IT reports are provided to Financial Services for disbursement.

In contrast, the IT reports produced by the Triple S and Defined Benefits teams are reviewed by a SASO and the Group Leader.

Risk exposure

Payments arising from internal transfers are not confirmed by persons with appropriate delegation, resulting in incorrect or unauthorised payments to members.

Audit recommendation

Ensure both the SASO and the Group Leader review the Internal Transfer reports produced by the Post Retirement Services team.

Management response: The Office acknowledges the above recommendation and will undertake suitable steps to ensure a consistent approval process across teams.

Date of Completion: 31 December 2016

3.5 Calibre Client Details Audit report

Entity: RIF

The Calibre Client Details Audit (CCDA) report is generated and reviewed daily by the SASO. The purpose of this review is to ensure all the changes processed into the members' accounts within the Calibre system are accurate and valid. The Income Stream – Update Account Details procedure requires the SASO to review each entry on the report back to supporting documents.

Our review of CCDA reports found that:

- the SASO does not verify all entries (eg changes to bank account details, benefit entitlement amounts and frequency of benefit payments) against supporting documents
- the SASO's review is not dated.

Risk exposure

Changes processed into members' accounts within the Calibre system are invalid and inaccurate.

Audit recommendation

Ensure the SASO reviews member account changes outlined in the Calibre Client Details Audit report against supporting documents. The SASO should document the date when the review was performed.

Management response: The Office acknowledges the above recommendation and will review the existing process to include verification of appropriate CCDA report items against source documents along with the date of verification.

Date of Completion: 30 September 2016

3.6 After-tax member contribution rate changes

Entity: Triple S

The Superannuation Administrator processes changes to after-tax member contribution rates based on request forms provided by members. Once processed in SuperB, a notification letter is automatically generated and sent to the employer advising of the rate change.

The Processing Contribution Rate Changes procedure requires the SASO to review the contribution rate entered into SuperB by the Superannuation Administrator. The SASO signs the contribution rate change checklist as evidence of this review.

We noted that the SASOs stopped reviewing contribution rate changes starting May 2016.

Risk exposure

The employer is advised of the incorrect after-tax contribution rate elected by the member, resulting in incorrect employee contributions.

Audit recommendation

Ensure the SASOs review after-tax contribution rate changes in accordance with the Processing Contributions Rate Changes procedure.

Management response: The Office acknowledges the above and has already taken steps to complete the review of contribution rate changes. It should be noted that there has been some misunderstanding due to a process improvement discussion that has resulted in this review being discontinued.

Date of completion: Completion of pending activities by end of August 2016 and continue the review process on an ongoing basis.

3.7 Review of Payment Exception reports

Entities: Triple S, SASS, RIF, Ambulance Super, Select, PSS

A Payment Exception report shows differences between the Electronic Funds Transfer (EFT) payment file from CommBiz and the superannuation system (ie Superb, Capital and Calibre). This report is prepared for each EFT payment batch.

We identified the following issues during our review of the Payment Exception report:

- the Payment Exception report is not reviewed by the SASO and Group Leader before payments are disbursed
- the Financial Services team does not verify that the review is successfully completed prior to disbursement
- there is no policy governing the review of the Payment Exception report.

Risk exposure

Variances exist between the EFT payment file and confirmed superannuation system payment information, resulting in inaccurate or incomplete payments to members.

Audit recommendation

Super SA should:

- ensure the Payment Exception report is reviewed by the SASO and Group Leader before payments are disbursed
- ensure the Financial Services team verifies that the review is successfully completed prior to disbursement
- establish a policy governing the review of the Payment Exception report.

Management response: The Office acknowledges the above recommendation and will implement an appropriate review of Payment Exception reports before sending to Finance for disbursement of funds.

Date of Completion: 30 September 2016

3.8 Timeliness of roll-in reviews*Entity: Triple S*

The Roll-in Procedures – Account Services requires the SASO to review roll-ins on the same day as they are processed in SuperB by the Superannuation Administrators.

Our review noted that the SASOs' review of roll-ins were not dated. Therefore, there is no documentation to support the timeliness of the SASOs' review of roll-ins.

We identified one instance where a SASO did not review a roll-in processed on 22 June 2016 until 13 days after it was processed in SuperB. Further discussions with a SASO revealed that roll-ins often reviewed several days after they are processed due to workload constraints.

Risk exposure

Roll-in details are entered incorrectly into SuperB resulting in processing errors such as crediting roll-ins to incorrect member accounts.

Audit recommendation

Ensure the SASOs review roll-ins on the same day as they are processed in SuperB in accordance with the Roll-in Procedures – Account Services.

The SASOs should document the date when the review was performed.

Management response: The Office acknowledges the above recommendation and will ensure the timeliness of roll-in reviews. The Office has recently (July 2016) automated the roll-in process with reviews performed for manual processing only. Procedures are being updated accordingly.

Date of Completion: 30 September 2016

3.9 Outdated policies and procedures*Entity: RIF*

We noted nine Account Services policies and procedures which are overdue for review, six of which were overdue since January 2013.

Policy	Review due date
AS43 Adding a Contribution (Investor or Eligible Spouse) – Post Retirement Services	01/01/2013
AS44 Flexible Rollover Product – Adding a New Investor	01/01/2013
AS45 Flexible Rollover Product – Adding a Rollover	01/01/2013
AS51 Income Stream - Adding a New Investor	01/01/2013
AS58 Income Stream – Account Details	01/01/2013

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Policy	Review due date
AS50 Flexible Rollover Product - Partial/Full Withdrawals	01/01/2013
AS54 Income Stream – Commutation	01/06/2016
AS57 Income Stream – Process pension payment	25/01/2016
AS118 Flexible Rollover Product – Adding a New Investor via IROF	01/01/2016

Risk exposure

Account Services staff follow procedures that do not comply with accepted practice.

Audit recommendation

Ensure that the identified policies and procedures are regularly reviewed and updated.

Management response: The Office acknowledges the above recommendation. The Office undertook an exercise in 2015-16 to review all procedures and successfully completed updating 43 procedures across the Triple S & DB and Post-Retirement teams. The Office will undertake a similar approach to periodically review procedures and ensure those mentioned above are updated as a priority.

Date of Completion: 31 Dec 2016

4 Strategy and Business Management

4.1 Review of G Drive access

Entities: The Board and all superannuation schemes

The G Drive contains, among other information, benefit payment EFT files which are uploaded into CommBiz for disbursement. The G Drive Guidelines provides guidance on the ongoing management of the G Drive and requires business unit managers to perform a quarterly review over G Drive access for their respective units.

During our audit, we noted that Super SA did not review access to the G Drive for the quarter ended December 2015.

Risk exposure

Access to EFT and other restricted files are available to unauthorised staff.

Audit recommendation

Ensure access to the G Drive is performed regularly in accordance with the G Drive Guidelines.

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Our ref: A16/215

19 August 2016

Mr J Montague
General Manager
State Superannuation Office
GPO Box 48
ADELAIDE SA 5001

Dear Mr Montague

**South Australian Superannuation Board
BlueDoor Solution procurement**

We have completed our review of the procurement of the BlueDoor Solution (BlueDoor). The BlueDoor superannuation administration system was recently acquired by the State Superannuation Office (Super SA) on behalf of the superannuation schemes administered by the South Australian Superannuation Board (the Board).

The audit scope and summary of audit findings are provided below.

A written response to the matters detailed in the attachment to this letter, which were discussed with the Project Manager, ICT and Business Strategy, would be appreciated by 26 August 2016.

Audit scope

BlueDoor has a total contract value of \$24.3 million comprising implementation costs and annual license and support fees over 12 years.

The objective of our review was to assess whether Super SA complied with the following policies and guidelines mandated by the State Procurement Board (SPB) when procuring the BlueDoor system:

- SPB Standard Tender and Contract Documents Policy and Guideline
- SPB Acquisition Planning Guideline
- SPB Supplier Selection Guideline
- SPB Contract Management Guideline
- Department of Premier and Cabinet Circular PC027 Disclosure of Government Contracts.

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Audit findings

The results of our procurement review were generally satisfactory. We found compliance with the key elements of acquisition planning, tendering and supplier selection guidelines. We recommend that Super SA develop a contract management plan for the BlueDoor contract to ensure appropriate arrangements are in place to monitor the contract's progress and ensure its objectives are achieved.

Thank you for the cooperation and support extended to the audit team.

Yours sincerely

Andrew Richardson
Auditor-General

enc.

cc: Mr Garry Powell, Director Strategy and Business Management
Mr Alan Kennedy, Manager, Audit and Risk Services

1 Absence of a contract management plan

The State Superannuation Office (Super SA) has not established a contract management plan for the BlueDoor Solution (BlueDoor) contract.

A contract management plan documents the key strategies, activities and tasks required to manage the contract. It is used to review the performance of the contractor and monitor the achievement of the contract outcomes.

The State Procurement Board Contract Management Guideline requires an agency to develop and implement a contract management plan for significant contracts valued at or above \$4.4 million.

We acknowledge that Super SA has certain governance arrangements in place to manage the contract through the implementation phase and has developed a draft contract management plan.

Risk exposure

Super SA does not effectively and promptly monitor the BlueDoor contract's performance, resulting in failure to achieve contract objectives.

Audit recommendation

Ensure a contract management plan for the BlueDoor contract is developed and documented.

Management Response

Please put your response here...

2 Non-compliance with the requirements of DPC Circular PC027

Super SA did not publish information regarding the BlueDoor contract on the SA Tenders and Contracts (SATC) website.

The Department of Premier and Cabinet (DPC) Circular PC027 requires the disclosure of certain information on Significant Contracts on the SATC website within 60 days of the contract being executed. The BlueDoor contract meets the definition of a Significant Contract per DPC Circular PC027.

Risk exposure

The lack of adequate disclosure over significant contracts undermines the importance of proactive public disclosure, resulting in adverse reputational consequences to Super SA and the SA Government.

Audit recommendation

Ensure that information regarding the BlueDoor contract is published on the SATC website in accordance with DPC Circular PC027.

Management Response

Please put your response here...