## Executive Summary:

The recent audit of OGIM O&I's financial and accounting processes, including reconciliations, asset transfers, and reporting, aimed to ensure accuracy, completeness, and compliance with SOPs for the period of September 1 to November 30, 2023.

The Audit's Control Condition is rated as "Unsatisfactory" reflecting a non effective control environment with areas at risk. 4 high and 2 medium rated issues were identified, and the Final Issue rating is "High"

The audit revealed a significant error with more than a 65% impact on BSCR and 4 errors in investment accounting balances for the sampled month. Key personnel have shown a less than required understanding of the audited processes, indicating a lack of control framework with significant exceptions.

## Audit Overview:

Internal Audit has assessed the control conditions of the key control related to "Public investment accounting, and private placement investment accounting", "PAM to ledger reconciliations", "Monthly

Custodian to PAM reconciliation", "Aladdin to PAM reconciliation", "Asset transfer", "Investment accounting ledger feed preparation and submission to Prisma as part of the ASA", "Investment operations financial close, statutory reporting, and derivatives accounting and reporting", and "Prisma Fiji Solvency Capital Requirement (FSCR) reporting as part of the ASA".

These were carried out by the "QGIM Operations & Innovations (O&I) team" and the "Retirement Strategies Controllers team".

The scope period for this audit is from September 1, 2023 to November 30, 2023.

Internal Audit's testing resulted in the identification of 2 issues. The first issue, with ID IS-001363, has a low rating. The second issue, with ID IS-001402, also has a low rating. The details of the issues identified, and management's action plans can be reviewed in the following pages.

## Control Condition:

The control condition for this audit is "Satisfactory with limited Exceptions".

## Control environment:

Unrated

## Rating Rationale:

Based on the results of the work performed, Internal Audit has concluded that certain elements of the system of internal controls implemented by management are not adequately designed [and/or] operating as intended to mitigate the risks of the business [or function].

1. There was a lack of secondary/peer review for the invested asset data provided to Prisma by the QGIM Operations and Innovations (QGIM O&I) team for Prisma Fiji Solvency Capital Requirement (FSCR) reporting and investment accounting balances for their trial balance and financial statements.

2. Two Excel tools used by the Retirement Strategy Controllers team for performing monthly and quarterly reinsurance settlement activities between ABC Company Insurance Company of America (PICA) and Prisma Life Reinsurance, LTD (Prisma Re) were not identified and inventoried as End User Computing Solutions (EUCS).

## Scope:

ABC Company's strategic goals are to transition into capital light and fee-based revenue streams. As part of this strategy, ABC Company created a 3rd party reinsurance company Prisma, domiciled in Fiji. The QGIM Operations & Innovations (O&I) team and the Retirement Strategies Controllers team played key roles in executing the transfer of assets for the Structured Settlement Annuities (SSA) transaction and providing certain investment accounting services to Prisma through an Accounting Services Agreement (ASA). The scope of this project includes public investment accounting, private placement

investment accounting, PAM to ledger reconciliations, asset transfer, investment accounting ledger feed preparation and submission to Prisma as part of the ASA, and investment operations financial close, statutory reporting, and derivatives accounting and reporting.

The scope included an assessment of the design and effectiveness of the key controls related to "Public investment accounting, and private placement investment accounting", "PAM to ledger reconciliations", "Monthly Custodian to PAM reconciliation", "Aladdin to PAM reconciliation", "Asset transfer", "Investment accounting ledger feed preparation and submission to Prisma as part of the ASA", "Investment operations financial close, statutory reporting, and derivatives accounting and reporting", and "Prisma Fiji Solvency Capital Requirement (FSCR) reporting as part of the ASA".

The audit focused on certain key risks including:

1. Accounting and Financial Reporting – external accounting or reporting

2. Accounting and Financial Reporting – internal accounting or reporting

Testing focused on controls in certain key processes including:

* Public investment accounting, and private placement investment accounting.
* PAM to ledger reconciliations.
* Monthly Custodian to PAM reconciliation.
* Aladdin to PAM reconciliation.
* Asset transfer.
* Investment accounting ledger feed preparation and submission to Prisma as part of the ASA.
* Investment operations financial close, statutory reporting, and derivatives accounting and reporting.
* Prisma Fiji Solvency Capital Requirement (FSCR) reporting as part of the ASA.
* Financial Close and Reporting, monthly and quarterly reinsurance settlement by Retirement Strategies Controllers.

The following processes were excluded from the scope of the review: "Review of Journal entries performed by FSS".

**Issue ID:** IS-001402

**Issue Name:** Two Excel tools used by the Retirement Strategy Controllers team for performing monthly and quarterly reinsurance settlement activities between ABC Company Insurance Company of America (PICA) and Prisma Life Reinsurance, LTD (Prisma Re) were not identified and inventoried as End User Computing Solutions (EUCS).

**Description:** Per the reinsurance agreement between PICA and Prisma Re, the Retirement Strategy Controllers team provides monthly settlement reports to Prisma Re, which includes monthly cashflows, funds withheld settlement and coinsurance settlement. Additionally, a quarterly settlement report is provided to determine collateral requirements and cash movement between the Funds Withheld, Coinsurance and Trust accounts. Internal Audit’s (IA) review of the Prisma Re settlement process identified that the Excel files used to provide the monthly and quarterly settlement results were not identified and inventoried as EUCS and were not risk assessed to ensure the appropriate EUCS controls were applied. A hard coded number was noted in the file without any description or comments in the file for when this should be updated. Additionally, the Standard Operating Procedure (SOP) did not describe the review process that is performed by the team for these settlements.

**Root Cause Description:** The root cause can be attributed to the fact that the monthly and quarterly settlement processes with Prisma Re are new and there was a lack of an understanding that the Excel tools created to perform this process fall under the definition of an EUCS.

**Rating Rationale:** The lack of conformance with enterprise EUCS policies increases the risk that the tools could be vulnerable to the impact of unmonitored changes and errors that may not be detected. These settlement reports, which are required per the reinsurance agreement with Prisma Re, are manually prepared and rely on numerous linked Excel files and source inputs and/or handoffs. Errors or inaccurate information due to missing EUCS controls may lead to financial reporting errors. The risk is partially mitigated by review controls performed by Retirement Strategy Controllers of the settlement results. In addition, IA did not find any data integrity errors in the EUCS calculations. Thus, this issue is rated Low.

**Risk Category:** 9. Information Technology

**Issue Rating:** Low

**Repeat Issue:** No

**Status:** Open

**Issue Target Date:** 2024-04-30

**Action Plan ID:** AC-001378

**Action Plan Description:** The Retirement Strategies Controllers – Reinsurance Team will add the relevant EUCS files to the inventory and perform a thorough review of the team’s EUCS inventory, ensuring relevant controls are applied. We will share the newly created EUCS with the team, ensuring the inventory is complete and all requirements are captured. Additionally, the SOP will be updated to describe the review process performed by the team and a description of the hard coded number and when it would need to be changed will be added in the file.

**Action Plan Owner:** Robert Kutyla - robert.kutyla@in.ey.com

**Action Plan Closure Target Date:** 2024-03-31 00:00:00

**Action Plan Status:** Open

**Issue ID:** IS-001363

**Issue Name:** Lack of secondary/peer review for the invested asset data provided to Prisma by the QGIM Operations and Innovations (QGIM O&I) team for Prisma Fiji Solvency Capital Requirement (FSCR) reporting and investment accounting balances for their trial balance and financial statements.

**Description:** Under the terms of a service agreement with Prisma, on a quarterly basis, the Securities Regulatory Reporting unit within the QGIM O&I team is responsible for providing invested asset data to Prisma for FSCR reporting to comply with the Fiji Monetary Authority (FMA) disclosure requirements. This includes the assets held within the PICA Funds Withheld (FWH) account as well as in the trust account within Prisma. Additionally, QGIM O&I is responsible for sending the investment accounting balances to support Prisma’s trial balance and financial statements. The invested assets information is provided by populating individual schedules in the FMA prescribed FSCR template. The process includes data aggregation for bonds, stocks, derivatives, other invested assets (OIA), and mortgage loans as well as assignment of FSCR ratings to each asset per FMA instructions. Internal Audit’s (IA’s) review of the process for aggregating and assigning FSCR ratings for bonds, stocks, and OIA identified that the relevant schedules and spreadsheets for assigning FSCR ratings are prepared by one individual from each team and no secondary/peer review is performed

**Root Cause Description:** The root cause can be attributed to the fact that 3Q23 was the first time the data was provided for the Prisma FSCR template and trial balance, and primary focus was on execution of the processes instead of establishment of formal review processes.

**Rating Rationale:** The lack of secondary review controls may limit the ability to detect errors before submitting information to Prisma under the terms of the accounting service agreement. As a result, Prisma may rely on inaccurate information to support Fiji regulatory reporting or its own financial reporting. A secondary review would help ensure the accuracy and completeness of the information for compliance with FMA requirements. Any errors or inaccurate information may create reputational risk for ABC Company. The risk is partially mitigated by the fact that the identified error was nominal and resulted in less than a 1% impact on the FSCR. There were no errors identified in the investment accounting balances sent to Prisma for the sampled month reviewed by

**Risk Category:** 5. Accounting and Financial Reporting

**Issue Rating:** Low

**Repeat Issue:** No

**Status:** Open

**Issue Target Date:** 2024-08-30

**Action Plan ID:** AC-001379

**Action Plan Description:** Regulatory Reporting (Securities) team: The manager of the Regulatory Reporting (Securities) team will complete the FSCR Categorizations and templates and the VP of the Regulatory Reporting (Securities) team will review the securities data and the template submissions.

**Action Plan Owner:** Emily Bock-Russo - emily.bock@in.ey.com

**Action Plan Closure Target Date:** 2024-07-30 00:00:00

**Action Plan Status:** Open

**Action Plan ID:** AC-001390

**Action Plan Description:** Regulatory Reporting (OIA & ML) team: 1) FSCR: a. The Regulatory Reporting (OIA & ML) team will complete FSCR procedures for OIA and mortgage loans. b. The Regulatory Reporting (OIA & ML) team will train a member of the Mortgage Loan and OIA reporting teams on how to prepare the OIA and Mortgage Loan portions of the FSCR. c. The VP of the Regulatory Reporting (OIA & ML) team will review the FSCR. 2) Ledger to Marsh data feed: a. The Regulatory Reporting (OIA & ML) team will create a new Prismic entity in the ledger system where balances related to sub-account 99999 will be housed and remove the need for manual intervention. Procedures will be updated to reflect this new process.

**Action Plan Owner:** Maria Bifulco - maria.bifulco@in.ey.com

**Action Plan Closure Target Date:** 2024-07-31 00:00:00

**Action Plan Status:** Open