



Pensions Committee

16 March 16

Report title	Risk and compliance monitoring 1 October 2015 – 31 December 2015	
Originating service	Pension Services	
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Recommendations for noting:

The Committee is asked to:

1. Note the top ten risks for West Midlands Pension Fund.
2. Note the compliance issues that have arisen during the quarter and resolutions put in place.

1.0 Purpose

- 1.1 To provide the Pensions Committee with the Fund's top ten risks and feedback on the quarterly compliance monitoring programme.

2.0 Risk register

- 2.1 The Fund's top ten risks are shown in Appendix 1. Detailed risk registers are separately maintained for each department of the Fund by Compliance.
- 2.2 The Fund's risks are assessed using a 5 x 5 scoring matrix to decide how likely they are to occur and how much of an impact they would have; the matrix is shown in Appendix 2.
- 2.3 Risk PA8 ("Failure to adhere to statutory requirements/LGPS regulations") has been replaced with PA9 ("Failure of electronic data and information exchange"), as it is felt that PA9 currently poses a greater risk, as our reliance on software grows. As we rely more and more on electronic data, e.g. for annual returns, the need for Web Portal to be fully functioning becomes essential. Additionally we are hugely dependent on Civica providing some programming, to enable us to extract valuation data in bulk.

3.0 Compliance monitoring programme

- 3.1 The Fund has in place a programme, which aims to ensure its internal and external operations meet acceptable standards and where possible best practice.
- 3.2 The programme is directly linked to the risk register; testing the effectiveness of the controls in place to manage and mitigate risks.
- 3.3 The results of the tests carried out for the October to December 2015 quarter are summarised below on an exception reporting basis.

3.4 Exception reporting

Out of all of the tests carried out, the following was found:-

3.4.1 Finance

One of the compliance tests is to ensure that contributions are received by the 19th of the following month for past and future service contributions.

For 2014-15 past service contributions, amounts totalling £975k are outstanding from 64 employers. (This represents 0.68% of 2014-15's total past service contributions.) We are following this up and monitoring at fortnightly intervals. Late payment of contributions is potentially reportable under The Pensions Regulator's Code of Practice; the Fund will assess whether to take this approach.

For future service contributions, finance maintains contribution monitoring sheets for each employer. To enable testing to be carried out, Compliance is working with finance to improve the monitoring of contributions including building a summary monitoring sheet, to cover all payments and supporting data. This work is still in progress and is expected to be finished by 13 May 2016.

3.4.2 Governance

There were two breaches during the quarter which involved personal data being provided to the wrong recipient. These were one-off cases due to human error and were reported to the Council in accordance with internal procedures.

3.4.3 Finance/investments

Corporate actions – 3 corporate actions were missed during the quarter. This was due to administrative error. A new electronic process has been implemented to ensure this does not happen again.

4.0 Audit against Financial Conduct Authority (FCA) Standards

4.1 The Fund is not required to be FCA registered at present but follows FCA guidance for best practice. As such, a framework has been in place for over 10 years; Deloitte assisted with its implementation and have since provided support with any changes and developments.

4.2 However, between now and 1 July 2016, Compliance will be undertaking a project to fully assess the Fund's compliance against FCA standards. Squires Patton Boggs will independently review this work to ensure there are no gaps. Following this, the Fund will be able to consider whether improvements need to be made.

5.0 Financial implications

5.1 Financial implications are outlined in the body of the report.

6.0 Legal implications

6.1 Risk management

6.1.1 The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 12(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009*.

6.1.2 The Pensions Committee, as the body charged with governance of the administering authority's pensions operations, takes the responsibility for ensuring that there is effective risk management over those operations.

6.2 Regulator's code of practice

The code of practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

7.0 Equalities implications

7.1 This report contains no direct equal opportunities implications.

8.0 Environmental implications

8.1 This report contains no direct environmental implications.

9.0 Human resources implications

9.1 The report contains no direct human resource implications.

10.0 Corporate Landlord

10.1 There are no corporate landlord implications.

11.0 Schedule of background papers

11.1 Agenda item no. 11 at the 9 December 2015 Pensions Committee: Risk and compliance monitoring 1 July 2015 to 30 September 2015, which can be found at: -
<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4826&Ver=4>

12.0 Schedule of Appendices

12.1 Appendix 1 – West Midlands Pension Fund Risk Register

Appendix 2 – Impact and likelihood key