

Wolverhampton City Council

**OPEN INFORMATION ITEM**

Audit Committee

Date **29 09 11**

Originating Service Group(s)

**WEST MIDLANDS PENSION FUND**

Contact Officer(s)/

**BRIAN BAILEY**

Telephone Number(s)

**2020**

Title

**ASSURANCE FRAMEWORK SUPPORTING THE  
ANNUAL GOVERNANCE FRAMEWORK**

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**SUMMARY**

That the attached report, as originally considered by the Superannuation Committee on 22 June 2011, be noted.

# Wolverhampton City Council

## OPEN DECISION ITEM

Committee / Panel                      **SUPERANNUATION**                      Date      **22/06/2011**

Originating Service Group(s)                      **WEST MIDLANDS PENSION FUND**

Contact Officer(s)/  
Telephone Number(s)                      **BRIAN BAILEY**  
**2020**

Title/Subject Matter                      **ASSURANCE FRAMEWORK SUPPORTING**  
**THE ANNUAL GOVERNANCE STATEMENT**

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# **Assurance Framework** **Supporting The Annual** **Governance Statement**

WEST MIDLANDS



PENSION FUND

## 1. Background

- 1.1** The Annual Report and Accounts contains the City Council's Annual Governance Statement as required by the accounting standards that apply to local government. The application to the Fund is limited, as the statement covers all of the Council's activities. The Director and Senior Pension Services staff do make declarations in support of the statement and these are based upon a detailed bespoke 'assurance framework' that has been developed for the West Midlands Pension Fund. It is designed to give assurance to the Committee and interested parties that the administration of the Fund is operating in a satisfactory manner. This report is to highlight, for the Committee, the assurance framework and matters that have been managed during the last 12 months.

## 2. Assurance Framework

- 2.1** The assurance framework is to ensure the Fund meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices where appropriate and has high customer service satisfaction.

The framework in diagrammatic form is attached (*see Appendix 1*).

- 2.1.2** The Council's Chief Finance Officer (Statutory 151 Officer), Chief Legal Officer and Chief Internal Auditor have been consulted and have identified no additional issues to which they would wish to draw attention.

- 2.2** There have been no adverse matters arising from the work behind the assurance framework. The following matters are highlighted as indications of the activities within the framework and the outcomes:

### 2.2.1 External Audit

The Fund is subject to audit by PWC. The 2010 audit produced no material issues for management or any matters to draw to members' attention. It has been agreed with PWC for the Fund audit that the fee level will be maintained in order to ensure there is no reduction in audit activity. The 2011 audit is progressing and no issues have arisen that require reporting.

### 2.2.2 Risk Management

An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to 'internal' and 'external' audit. Internal audit attends the annual review meeting.

The risks are identified under the following headings:

- to ensure the assets of the Fund are suitably safeguarded;
- to maintain the ongoing funding of the scheme at suitable levels;
- to ensure that members receive the benefits to which they are entitled;
- to minimise the risk to the Fund from admitted bodies;
- to ensure Fund governance is robust and all aspects of the operation of the scheme are in compliance with regulations and best practice;
- to ensure that appropriate financial and other scheme related controls are appropriately considered; and
- to ensure, as far as practical, business continuity arrangements are robust.

There are approximately 120 individual lines of risk. None has a critical rating. The highest noted risks are:

- **Pension liabilities of the smaller admitted body cannot be met:**  
Following the 2010 Valuation a number of small organisations have been identified as being under significant financial pressures. They are being closely monitored and meetings held with them at an appropriate frequency. The scale of their liabilities has no financial threat to the Fund's viability or impact on operating costs.
- **Quality of data from employers is poor:**  
No significant problems following processing of 2010 valuation data, but resources are being allocated to working with employers, particularly those losing experienced staff, to ensure there is no detriment to data quality.
- **Structural changes at employing bodies following reduction in funding leading to unexpected consequences for the Fund, e.g. normal contacts lost, LGPS knowledge lost:**  
Regular contact with employers is being focussed upon to identify issues early and provide appropriate support.
- **Resourcing benefit operations for day-to-day activities:**  
Agency staff have been used to assist in meeting increases in workload and will be used again if needed.
- **External support services provided by City Council, particularly IT:**  
IT services undergoing major change and, therefore, increased risks.
- **Fully developed IT business continuity due to major changes at City Council :**  
No experience of service failure, but Council arrangements undergoing major change.
- **Legislation change to the scheme following publication of the Hutton Report into public sector pensions:**  
Details awaited of Government's intentions.

### 2.2.3 Compliance Monitoring - Investments

Regular reports submitted to Superannuation Committee quarterly. No significant issues arose in last 12 months.

### 2.2.4 Compliance Monitoring - Benefits and Administration

This is an activity being developed to match that undertaken by the investment compliance activity. Review of procedures and practices undertaken so far has not identified any problems.

### 2.2.5 Statutory Policies - Operating Practices etc

All significant statutory policies and Fund policy statements have been updated over the last 12 months and are available on the website.

All major operating practices have been reviewed over the last 24 months. The review has been led by an experienced internal auditor and covered:

- |   |   |  |
|---|---|--|
| ■ Business Visa Cards <ul style="list-style-type: none"><li>- Conditions of use</li><li>- New applications</li><li>- Process procedures</li><li>- Monthly statement process</li></ul> | ■ Banking Arrangements <ul style="list-style-type: none"><li>- Investment settlement letters fax procedures (now replaced with online banking facilities through Bankline)</li><li>- Bankline procedures</li><li>- Procurement of foreign currency</li><li>- Overall procedure for processing of daily settlement</li></ul> | ■ Security <ul style="list-style-type: none"><li>- Cash, keys and valuable items</li></ul> |
| ■ Travel Policy   |   | ■ Visa Purchasing Cards - Cardholder's and manager's procedure rules                       |
|   |   | ■ Complaints   |
|   |   | ■ Data Protection  |

### **2.2.6 Investors in Excellence**

The Fund is building on its established commitment to Investors In Excellence (IIE) through the development of the staff performance framework alongside a LEAN systems thinking approach.

### **2.2.7 Staff Management**

A detailed staff performance framework has been developed which has been introduced into one area of Benefit Administration. The roll-out of this framework across the pension service will continue over the summer period. It will assist in ensuring that the Fund maintains competent, skilled and experienced staff to deliver the objectives agreed in the Fund's *Business Plan 2011 - 2015* and future legislative changes.

### **2.2.8 LEAN**

LEAN is a recognised process for reviewing key processes to ensure they operate as efficiently as possible and deliver effective outcomes. An approach, supported by West Midlands Excellence, has been developed and a medium-term plan developed for reviewing all of the Fund's key activities.

## **3. Annual Governance Statement**

**3.1** The Assurance Framework enabled the following statement to be given in support of the Council's overall Annual Governance Statement:

With regard to the Fund's day-to-day management, this is carried out by two separate teams of staff who are dedicated solely to the functions of pension administration and pensions investments. Appropriate support and advice is provided by external investment managers. Both teams report to a dedicated Director of Pensions.

The key elements of the Fund's internal control environment include:

- procedures for establishing and monitoring the achievement of the Fund's objectives;
- the facilitation of policy making and decision making;
- ensuring compliance with established policies, procedures, laws and regulations;
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which the functions of the Fund are exercised;
- the financial management of the Fund and the reporting of financial management; and
- the performance management of the Fund and the reporting of performance management.

## **4. Recommendations**

**4.1** Members are requested to note the background to the assurance framework and updated operational practices.



## Appendix 1 Assurance Framework

**Assurance:** The Fund meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices when appropriate and has high customer service functions satisfaction.

**Objectives:** The bodies receiving assurance can be satisfied it is soundly based, is comprehensively updated and meets high professional standards.

