

# Pensions Committee

7 December 2016

<b>Report title</b>	Risk and compliance monitoring 1 July 2016 – 30 September 2016	
<b>Originating service</b>	Pension Services	
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## Recommendations for action or decision:

The Committee is recommended to approve:

1. Safeguarding policy (appendix 3)
2. Information Asset Register policy (appendix 4)

## Recommendations for noting:

The Committee is asked to note:

1. The Fund's adherence to the Information Governance Toolkit.
2. The top ten risks for West Midlands Pension Fund (appendix 1 & 2)
3. The compliance issues that have arisen during the quarter and the resolutions put in place.
4. The Fund's continued development of compliance monitoring against the Pensions Regulator's Code of Practice

## 1.0 Purpose

- 1.1 To provide an update to the Pensions Committee on the Fund's risk register and quarterly compliance monitoring program.
- 1.2 To seek approval for a new Safeguarding policy and Information Asset Register.
- 1.3 To present an update on the work undertaken by the Fund on the compliance monitoring set against the Pension Regulator's Code of Practice.

## 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 Amendments were made to the register during the period to update progress and the addition of any new risks.
- 2.4 Actions taken by the Fund in relation to its top 10 risks this quarter are as follows;

<b>Risk reference</b>	<b>Action</b>
PA1	<ul style="list-style-type: none"><li>• The Fund has continued to engage with employers on the drafting of the Pension Administration Strategy with it being presented to the AGM on 29 November.</li></ul>
PA2	<ul style="list-style-type: none"><li>• The fund continues to develop its monitoring of employer covenants and risk assessments addressing those on the watch list through open face to face dialogue.</li></ul>
PA3	<ul style="list-style-type: none"><li>• Work is ongoing to address outstanding data</li><li>• Move to monthly returns to enable more frequent exchange of data and earlier identification of issues.</li><li>• Plans for employers to directly load bulk data imports continue to be explored with software developers and individual employers</li></ul>
PA5	<ul style="list-style-type: none"><li>• The Fund is engaging with external partners to ensure a full and complete analysis of data is completed.</li></ul>
PA7	<ul style="list-style-type: none"><li>• The funding level is currently under review as part of the 2016 valuation.</li></ul>
I7	<ul style="list-style-type: none"><li>• Control measures are in place to ensure the Fund reviews its currency benchmarks.</li></ul>

G1	<ul style="list-style-type: none"><li>• The dedicated team for data quality review and maintenance has now been fully established</li></ul>
G2	<ul style="list-style-type: none"><li>• No amendments – all controls implemented and still current.</li></ul>
G7	<ul style="list-style-type: none"><li>• No amendments – all controls implemented and still current.</li></ul>
F6	<ul style="list-style-type: none"><li>• All controls and values remain the same.</li></ul>

### **3.0 Compliance monitoring programme**

3.1 The Fund has in place a monitoring programme, which aims to ensure its internal and external operations meet acceptable standards and 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 July to September 2016 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**

During the period the monitoring identified late trade submissions. It was confirmed that the late trades were due to issues with either the custodian or the broker, and that the Fund actioned all trades within the required timescales. There was no detriment to WMPF. The Fund has a monthly telephone meeting with the custodian and will address the late trades requesting assurance as to the protocols they have in place.

##### **3.4.2 Governance**

There were 4 data protection breaches during the quarter, all of which were due to administration errors containing personal data. These were one-off cases due to human error and were reported to the Council in accordance with internal procedures. Relevant team managers have issued refresher training to staff and the Fund continues to engage with the City of Wolverhampton Council's Information Governance Team to ensure we comply with the Information Governance Agenda.

### **4.0 Regulator's code of practice**

4.1 At its meeting on 9 December 2015, Pensions Committee received a report on the Pensions Regulators' Code of Practice and the proposal to implement a compliance monitoring program for the Fund to assess its standards of conduct and working practice against an agreed standard.

4.2 At that meeting, officers presented a Red, Amber, Green review of the Fund's compliance to the Code of Practice and since that time have been working on implementing a full monitoring program.

4.3 Having undertaken this work, the Fund has now re-assessed its adherence to the Code of Practice and has identified one area that remains Amber. This is in relation to the collation of information from employers. The Fund is undertaking a transition to monthly returns and on completion of this, are confident the assessment and all areas of compliance, will show as Green.

## **5.0 Safeguarding Policy**

5.1 The Fund has undertaken a review of its processes for managing Adult Safeguarding to ensure it can collaborate with all partner authority safeguarding teams should a concern arise.

5.2 The policy outlines what safeguarding is, how to identify a potential safeguarding issue and the process to follow if an issue occurs (appendix 3).

5.3 Training has been given to all front facing Fund staff by the Safeguarding team from the City of Wolverhampton Council.

## **6.0 Information Governance Toolkit**

6.1 The Fund undertook an exercise during 2015 to review its current information governance practices to ensure compliance with the legislation to ensure the robust management of information. In December 2015 the Fund appointed an external auditor who specialises in information governance to review the practices of the Fund and provide feedback on the Fund's compliance. The auditor confirmed that the Fund was operating at level 2 out of 3 and that it was operating at an acceptable standard in its information management. As previously reported to committee a work plan was put in place to assist the Fund to achieve level 3 out of 3.

6.3 One area of the workplan highlighted a need for the Fund to have an Information Asset Register, detailing what information the Fund holds and in what form. The Information Asset Management Policy formalises these practices and a copy is attached at Appendix 4.

## **7.0 Treasury Management and Debt Monitoring policies**

7.1 During the last quarter, two new operational policies have been developed and implemented: the Treasury Management policy and the Debt Monitoring policy. These are consistent with the responsibilities set out in the Fund's constitution, and provide additional detailed guidance for staff working in these areas.

## **8.0 Financial implications**

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

## **9.0 Legal implications**

- 9.1 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*.
- 9.2 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.

## **10.0 Equalities implications**

- 10.1 The new policies presented in appendix 3 and 4 have been assessed for equalities implications and there are no issues to report. Both the Safeguarding policy and the Information Asset Management policy do not affect any direct group in relation to equalities.

## **11.0 Environmental implications**

- 11.1 This report contains no direct environmental implications.

## **12.0 Human resources implications**

- 12.1 The report contains no direct human resource implications.

## **13.0 Corporate Landlord**

- 13.1 There are no corporate landlord implications.

## **14.0 Schedule of background papers**

- 14.1 Risk and Compliance Monitoring Report to Pensions Committee 9 December 2015  
<https://wolverhamptonintranet.moderngov.co.uk/documents/s18319/Risk%20compliance%20monitoring%201%20July%20to%2030%20September%203015.pdf>

## **15.0 Schedule of Appendices**

- 15.1 Appendix 1 – West Midlands Pension Fund Risk Register
- Appendix 2 – Impact and likelihood key
- Appendix 3 – Safeguarding policy
- Appendix 4 – Information Asset Management Policy