

LGPS Central - ASSET POOLING ASSURANCE FRAMEWORK MAP (June 2019)

Objective	Risk Ref	Risks - based on LGPS Central (the Pool) risk register.	1st line of Defence				2nd line of Defence			3rd line of Defence			Assurance Provided to	Collective/Individual
			Management Controls				Governance Oversight			Independent Assurance				
			Control Ref	Control Title	Control Owner	Control Objective	Oversight Provided By	Frequency of Activity	Evidence Required	Assurance provided by:	Frequency	Scope		
<b>(1) Governance Risk</b>														
<p>Pooled governance arrangements are established, clearly documented and communicated to all Members and Officers (including Scheme of Delegations)</p>	1	<p>Governance arrangements for the Pool are not established, unclear and not known by all partners.</p>	C.1	Governance Arrangements	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)</p>	<p>There is a clear governance structure which sets out roles and responsibilities of the following partner groups:</p> <ul style="list-style-type: none"> <li>- Joint Committee</li> <li>- Practitioners Advisory Forum</li> <li>- Shareholders Forum</li> </ul> <p>This governance structure has been approved and is understood and communicated to all relevant staff.</p>	Pensions Committee (Partner Funds)/Audit and Standards Committee	Annual	<p>Regular review/update of:</p> <ul style="list-style-type: none"> <li>- Terms of Reference</li> <li>- Schemes of Delegation</li> <li>- Articles of Association/Shareholders Agreement/Inter Company Agreement</li> <li>- Constitution (of Partner Funds)</li> </ul> <p>Minutes/Agendas of relevant governance groups. (Pension Committee, PAF, Joint Committee and Shareholders Forum)</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm:</p> <ul style="list-style-type: none"> <li>- Appropriate governance arrangements are in place.</li> <li>- Governance groups are attended by the appropriate Members or Officers.</li> <li>- Governance inline with key documentation e.g. Terms of Reference, Scheme of Delegation.</li> <li>- Decision making is appropriate and evidenced</li> <li>- Members and Officers aware of governance arrangements.</li> </ul> <p>N.B: External Audit review of AAF/0106 report</p>	Pension Committee Audit and Standards Committee	Individual Partner Fund Internal Audit Functions
<p>Policies and Procedures have been communicated to relevant Members and Officers.</p>	2	<p>Appropriate policies and procedures are not in place to support governance arrangements.</p>	C.2	Policies and Procedures	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers) as representatives of Partner Funds</p>	<p>Policies and procedures are in place within administering authorities to support governance arrangements. This includes:</p> <ul style="list-style-type: none"> <li>- Codes of Conduct</li> <li>- Register of Interest</li> <li>- Gifts and Hospitality</li> <li>- Whistleblowing</li> <li>- Anti-Fraud, Bribery and Corruption</li> </ul>	Individual administering authorities committee structure	Within administering authorities timetables.	<p>Regular review/update of following policies within administering authorities:</p> <ul style="list-style-type: none"> <li>- Codes of Conduct</li> <li>- Register of Interest/declaration of interests</li> <li>- Gifts and Hospitality</li> <li>- Whistleblowing</li> <li>- Anti-Fraud, Bribery and Corruption</li> </ul>	Internal Audit (Individual Partners)	As per audit plan cycle	<p>Work completed to confirm:</p> <ul style="list-style-type: none"> <li>- Policies and procedures are in place and regularly reviewed.</li> <li>- Evidence of compliance with policies and procedures e.g. Declarations of Interest</li> </ul>	Pension Committee Audit and Standards Committee	Individual Partner Fund Internal Audit Functions
<p>Training regarding governance arrangements have been received.</p>	3	<p>Appropriate training has not been provided to Members or Officers with regard to the governance arrangements of the Joint Committee, and Shareholders Forum.</p>	C.3	Training	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)</p> <p>LGPS Central Ltd in relation to training required regarding Company and FCA matters.</p>	<p>Officers and Members involved in the governance of the Pensions Pool receive the appropriate training, knowledge and skills to effectively understand their role and perform their responsibilities.</p>	Pensions Committee (Partner Funds)	Annual	<p>Training and Development Policy and Needs Analysis.</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm:</p> <ul style="list-style-type: none"> <li>- Training Programme in place and reviewed regularly</li> <li>- Training logs maintained.</li> </ul>	Pension Committee Audit and Standards Committee	Individual Partner Fund Internal Audit Functions
<p>The governance structure in place is effective and suitable for the needs of the Partner Funds.</p>	4	<p>Governance structure is not effective</p>	C.4	Effective Governance	<p>Practitioners Advisory Forum (PAF) (which includes S.151, Senior Officers)</p>	<p>The governance structure in place is effective and includes the following features:-</p> <ul style="list-style-type: none"> <li>- Interests of Partners are represented adequately.</li> <li>- Clear business plan (Company) and set of linked objectives (company, pool and partner fund) which are regularly monitored.</li> <li>- Effective communication/reporting between the Company, the Pool and Partner Funds</li> <li>- Effective decision making processes.</li> <li>- Adequate oversight and control of Company Operations.</li> <li>- Appropriate legal arrangements in place and the Pool and Company are compliant with Teckal guidance</li> </ul>	Pensions Committee (Partner Funds)	Annual	<p>Effective oversight evidenced through:-</p> <ul style="list-style-type: none"> <li>- Company Board oversee company strategy and effectiveness of ExCo.</li> <li>- Shareholder Forum reviews relevant shareholder matters e.g. budget.</li> <li>- Joint Committee oversees effectiveness of Pool e.g. delivery of pool objectives. Including process in place for escalation of requests for information.</li> <li>- PAF regularly review progress against key objectives and has resources to address any governance/legal issues.</li> <li>- Reporting requirements are linked to performance targets and benchmarks.</li> <li>- Process in place for escalation of requests for information.</li> </ul> <p>Evidenced by - Monitoring arrangements, KPIs/Dashboard, meeting minutes and committee papers.</p>	Internal Audit (Individual Partners)	Annual	<p>Work completed to confirm:</p> <ul style="list-style-type: none"> <li>- Strategies and business plan are in place</li> <li>- Coherent link between objectives of the Company, Pool and Partner Funds.</li> <li>- Appropriateness of Monitoring Arrangements e.g. KPIs/Dashboards, meeting minutes, papers).</li> <li>- Communication between all parties is appropriate.</li> <li>- Reporting requirements are in place and requirements are adhered to.</li> <li>- Transparent and open reporting between all governance groups.</li> <li>- Timely reporting arrangements</li> </ul>	Pension Committee Audit and Standards Committee	Individual Partner Fund Internal Audit Functions
<b>(2) Company Risk</b>														
<p>The Company has systems and controls in place to provide suitable assurance to Partner Funds.</p>	5	<p>Partner Funds can not place reliance on the Company's systems and controls.</p>	C.5	Company Assurance	<p>LGPS Central Ltd (EXCO)</p>	<p>The company has effective systems and controls in place and ensures assurance documentation is available to LGPS Central. Including the following:</p> <p>AAF/0106 Internal Control Reporting Internal/External Audit Reports Compliance Monitoring Depository SOC Report (Northern Trust operator and depository) Evidence of Compliance with FCA Standards and Breach Reporting Requirements Access to Policies and Procedures e.g. Cyber security, Financial Regulations,</p> <p><b>Company Controls</b> ISO 27001 (cyber security) Proactive monitoring, KPI's SLAs BCP/DR Plans and appropriate testing Breach reporting policy and compliance monitoring Active monitoring of regulatory capital, capital position reported monthly to ORCA Cost Sharing Agreement HR Process - job descriptions, selection panels, training and development, performance appraisal Creation of Skills Matrix Salary and benefits benchmarking Succession Planning Segregation of Duties Authorised Signatories Independent review of reconciliations ( Preventative and Detective Controls - Bloomberg Violation Manager Due Diligence of Suppliers Strong SLA's/Contract Management/ Supplier Monitoring Market Benchmarking Assessment of Concentration Risk Exit/Resilience Plans</p>	Shareholders Forum (supported by PAF) and Partner Pension Committees	Annual	<p>Shareholders Forum (supported by PAF) ensures company provides assurance that systems and controls are operating effectively.</p>	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	<p>Work completed to confirm administering authorities has received assurance that Company systems and controls are sufficient.</p> <p>Gain assurance from ARCC Report GAP Analysis and AAF 01/06 (after year 1) Recommendation Tracking Audit Plan</p>	Pension Committee Audit and Standards Committee	<p>Collective Partner Funds Internal Audit Function - Provision/ Review of LGPS Central Ltd Control/Compliance Reports.</p> <p>Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee</p>
<b>(3) Financial/Operational Risk</b>														
<p>Budget for LGPS Central Ltd is set and approved annually and assurance is provided that financial management systems are robust.</p>	6	<p>An approved annual budget is not in place or is insufficient increasing the risk that partners will be required to pay additional contributions or services can not be provided within agreed timescales.</p>	C.6	Annual Budget	<p>LGPS Central (EXCO)</p>	<p>LGPS Central Ltd set an Annual Budget which includes the following criteria:-</p> <ol style="list-style-type: none"> <li>Cash flow forecast and estimated working capital.</li> <li>a projected profit and loss account.</li> <li>an operating budget (including estimated capital expenditure requirements and balance sheet forecast);</li> <li>a summary of business objectives; and</li> <li>Variance analysis for previous financial year (Strategic Plan vs Actual Collective Vehicles)</li> </ol> <p>Throughout the financial year LGPS Central Ltd produce regular financial reporting.</p> <p><b>Company Controls</b> Budget review process reported to Exco/Board/Partners Budget Agreement process Cost Sharing Agreement</p>	Shareholders Forum (supported by PAF) and Partner Pension Committees	Annual	<p>PAF review and Shareholders Forum agree information included in the annual budget. Shareholders Forum approve Annual Budget for LGPS Central Ltd.</p> <p>Shareholders Forum review financial information supported by due diligence carried out by PAF regarding how LGPS Central Ltd is performing. This information will include:</p> <ul style="list-style-type: none"> <li>Quarterly management accounts and reports on operational effectiveness including any slippage in investments being made to LGPS products and the impact this would have on the Business Plan and subsequent the payback / breakeven points for each of the Partners.</li> <li>Unaudited annual accounts;</li> <li>Audited annual accounts; a medium term Strategic Plan; and</li> <li>A report on the company's progress against objectives/milestones set out in the Strategic Plan.</li> <li>Annual audit report</li> </ul> <p>Pension Committee have oversight of Budgets and Financial Reporting.</p>	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	<p>Work completed to confirm Annual budget was approved by Shareholders Forum and financial monitoring arrangements are in place and variances reported promptly.</p> <p>Evidenced through monitoring arrangements e.g. Minutes of Shareholder Forum, Financial Reporting.</p>	Pension Committee Audit and Standards Committee	<p>Collective Partner Funds Internal Audit Function - Provision/ Review of LGPS Central Ltd Financial Monitoring Reports.</p> <p>Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee</p>
<p>Assumptions regarding costs and savings are robust and supported by appropriate modelling which is regularly reviewed.</p>	7	<p>Assumptions regarding costs and savings are not supported by appropriate modelling and are not adjusted to account for change.</p>	C.7	Cost Savings	<p>PAF Finance Working Group</p>	<p>The cost savings model detailing how 40 billion assets will be invested. Assumptions in the model have been agreed with all Partners and LGPS Central and includes flexible and scenario analysis (65 different sub funds). Business Plan relates to the company approved by shareholders.</p>	Joint Committee and Partner Pension Committees	As Required	<p>Cost savings model is reported regularly to the Joint Committee and Partner Pension Committees</p>	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	<p>Evidence that cost savings model has been completed and is regularly updated and reviewed by Joint Committee and Partner Pension Committees</p>	Pension Committee Audit and Standards Committee	<p>Collective Partner Funds Internal Audit Function - Adherence to Delivery Plan</p> <p>Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee</p>
<b>(4) Investment Risk</b>														

The transition process is monitored and progress is regularly reported.	8	Risks associated with the transition process e.g. lack of suitable products are not monitored or reported.	C.8	Product Delivery Timescales	PAF Investment Working Group LGPS Central Ltd	A co-ordinated LGPS Central product delivery plan is in place and progress against this is regularly monitored.	Joint Committee and Partner Pension Committees	As required	Regular monitoring against the LGPS Central's product delivery plan is received and reviewed by the Joint Committee and Pension Committee.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm transition plan is in place, transitions are being completed in line with the plan and the progress of the plan is regularly reported.	Pension Committee Audit and Standards Committee	Collective Partner Funds Internal Audit Function - Adherence to Delivery Plan Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee	
Transition services procured are appropriate for the needs of the LGPS Central Pool and estimated transition costs are identified and monitored	9	Transition services procured are inappropriate for the needs of LGPS Central and costs are not identified or monitored.	C.9	Transition costs	Product Delivery Liaison Group	For each transition a detailed and costed transition plan is in place and regularly reviewed. Consultant/ Transition managers are appointed using a National Framework or appropriate procurement route.	Joint Committee and Partner Pension Committees	As required	Joint Committee/Pension Committee receive reports in relation to individual transitions.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm that transition managers have been appropriately selected and costed transition plans are in place and reported retrospectively to relevant committees N.B - External Audit undertake verification testing of transitions completed.	Pension Committee Audit and Standards Committee External Audit (Individual Partner Funds)	Collective Partner Funds Internal Audit Function - Collaborative Procurement of Transition Manager Individual Partner Fund Internal Audit Functions - Detailed costings of individual transitions and reporting transition completions to Pension Committee	
LGPS Central Ltd delivers against shared objective to act as a responsible, long term investor	10	Investments do not adhere to responsible investment principles	C.10	Responsible investment	LGPS Central (EXCO)	Responsible investment framework and policies are in place and integrated into performance reporting Clients are involved in product design Product approval process	Joint Committee (supported by the PAF) and Partner Pension Committees	Minimum six monthly	Joint Committee/Pension Committee regularly review progress against key objectives including Responsible Investment. Evidenced through: Responsible Investment Policy RI Reporting	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to review monitoring arrangements and confirm that Joint Committee/Pension Committee regularly review progress against shared objectives.	Pension Committee Audit and Standards Committee Local Pension Board		
LGPS Central Ltd delivers against shared objective to provide sufficient investment choice for participating Partner Funds.	11	LGPS Central Ltd does not deliver sufficient investment choice resulting in shared objectives not being met and inability of LGPS Central Ltd to deliver the Partner Fund Investment Strategy.	C.11	Investment Products	LGPS Central (EXCO)	LGPS Central Ltd have a strategy in place to ensure investment pooling delivers products / services in line with strategic asset allocation requirements and meets the needs of partner fund investment strategies. Close work with Shareholders to ensure investment in products offered <b>Company Controls:</b> (1) Product Approval Process (early identification of client requirements through formal documentation) includes timescales to prevent late delivery. (2) New products reviewed and approved by Investment Committee (IC), New Product Development Committee and ORCA.	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	Joint Committee/Pension Committee regularly review progress against partner fund strategic asset allocation.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm:- - That Joint Committee regularly review progress against shared objectives. - Choice of investments available are sufficient and in line with the Partner Fund's investment strategy N.B. External Audit complete work to confirm how strategy is being delivered	Pension Committee Audit and Standards Committee Fund Actuaries External Audit Local Pension Board	Collective Partner Funds Internal Audit Function - Achievement of strategy and reporting to LGPS Central. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.	
LGPS Central Ltd has improved the performance of investment returns.	12	Failure to deliver improved performance and poor performance is not challenged leading to lower investment returns	C.12	Performance (Investment Returns)	LGPS Central Ltd (EXCO)	Investment performance targets are in place and the performance of investment returns (internal and external) is regularly monitored and reported. Monitoring of mandates <b>Company Controls:</b> (1) Client involved in product design (2) Monitoring and oversight of portfolios performance by IC and periodic review by Investment Risk team (3) Client reporting	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	The Joint Committee /Pension Committee regularly review investment performance against performance targets and poor investment performance is challenged. Manager Reports Independent Investments Performance Reports	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm that investment performance is in line with targets and that the Joint Committee /Pension Committee receive regular reporting regarding investments. N.B Work completed by External Audit to value investments	Pension Committee Audit and Standards Committee Fund Actuaries External Audit Local Pension Board	Collective Partner Funds Internal Audit Function - Investment Performance Reporting for Pooled Assets Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.	
Investment pooling delivers cost saving through a reduction in manager fees.	13	Pooled investments fail to deliver reduction in manager fees leading to lower net returns	C.13	Reduction in Manager Costs	LGPS Central Ltd (EXCO)	Procurement processes in place ensure value for money and the costs of investment management is regularly monitored and reported, including the completion of benchmarking. Collaborative partnership investment strategy <b>Company Controls:</b> (1) Work undertaken with Simplicitum (business analysis firm) re meaningful analysis (2) Continued focus on value for money (3) Monitoring of actual and forecast cost savings	Joint Committee (supported by the PAF) and Partner Pension Committees	Quarterly	The Joint Committee /Pensions Committee regularly receive and review manager cost reporting, including benchmarking, to ensure manager costs are in line with cost savings model and previously agreed assumptions. Mechanisms are in place to challenge manager costs.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to review the costs in comparison with the cost saving model to confirm that manager costs are reasonable and that the Joint Committee/Pensions Committee have received regular reporting in relation to manager costs including benchmarking.	Pension Committee Audit and Standards Committee Local Pension Board	Collective Partner Funds Internal Audit Function - Investment Cost Reporting. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.	
Assets invested in the pool are as expected.	14	Assets invested by the pool are lower than expected leading to increased oversight and governance costs for Partner Funds and resulting in increased management fees and extension of the payback period.	C.14	Investment of Assets	Individual Partner Funds (Pension Committees)	A shared plan is in place and partner funds invest assets as per an agreed plan and in line with strategic asset allocation. Product delivery timescales Product development protocol Asset allocation to be a key part of the review meetings <b>Company Controls:</b> (1) Clients are involved in product design (2) Working with Investment Working Group (IWG) and Partner funds to ensure funds with single investors aren't launched. (3) Utilise external investment management (where appropriate)	Joint Committee (supported by the PAF) LGPS Central Ltd	Six Monthly	The Joint Committee monitor the investment of assets against an LGPS Regulatory Business Plan/Product Delivery Plan. Regular reporting against breakeven position. Progress against the Regulatory Business Plan is reported.	Internal Audit (Individual Partners and Collective Partner Funds)	Annual	Work completed to confirm that assets have been invested as per agreed plans and that changes to plans are documented.	Pension Committee Audit and Standards Committee Local Pension Board	Collective Partner Funds Internal Audit Function - Assurance that actual investments are in line product delivery plan. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.	
Company strategy adapts to changes in market conditions.	15	Market volatility leads to either:- - A drop in assets invested which impacts on the level of income; or - A significant rise in assets invested resulting in over recovery of costs and leading to tax implications.	C.15	Market Volatility	LGPS Central (EXCO)	Cost Sharing Agreement is in place and cost charging mechanisms are regularly reviewed with consideration given to market conditions. Tiered Management Fees (Ad-valourum) go up and down depending on assets under management	Joint Committee (supported by the PAF)	As required	Cost charging mechanisms is reviewed by Joint Committee/PAF if relevant criteria met. Cost Sharing Agreement	Internal Audit (Individual Partners)	Annual	Work completed by Internal Audit to confirm that Joint Committee regularly review cost charging mechanisms	Pension Committee Audit and Standards Committee Local Pension Board	Collective Partner Funds Internal Audit Function - Assurance that cost charging mechanism is monitored. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.	
<b>(5) Wider Pooling Risks</b>															
The LGPS Central Pool meets the four key criteria stipulated by Central Government.	16	The LGPS Central Pool can not demonstrate that it meets the four key government criteria or regulatory requirements resulting in possible intervention from central government, sanctions or requirement to join another pooling arrangement. Thus increasing costs and potentially reducing savings for Partners.	C.16	Pooling Criteria	Practitioner Advisory Forum (LGPS Central) LGPS Central Ltd	The PAF monitor and report progress against four key government criteria - completion of MHCLG Returns Regulatory intelligence & working collaboratively with Partner Funds and Pools Project management to ensure delivery of change. Responding to consultations (from whom) when issued. Horizon scanning and adopting best practice ahead of any changes Embedding the right regulatory culture Participation in industry forums	Pension Committee (Partner Funds)	Six Monthly	Individual Pension Committee's regularly receive and review reports in regard to progress against key government criteria.	Internal Audit (Individual Partners)	Annual	Work completed to confirm that Pension Committee's receive and review reports regarding progress of key government criteria.	Pension Committee Audit and Standards Committee	Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.	
LGPS Central is aware of developments in government policies/reform of the Local Government Pension Schemes	17	The Pool fails to respond to changes and challenges to government policy/LGPS reforms.	C.17	Changes to Government Policy	Practitioners Advisory Forum (PAF)	PAF ensure ongoing review of political consequences and effective communication with all partner funds, key government departments and associated groups e.g. LGA, advisors and cross pool working group in order to maintain abreast of developments regarding Local Government Pooling and take pre-emptive actions - Responding to consultations. <b>Company Controls</b> Lobbying through government work groups Review of contracts and arrangements Investment strategy	Joint Committee Shareholders Forum and Partner Pension Committees	As required	Ensure any changes or developments to Local Government Pooling are communicated to relevant partners. Minutes/Papers produced by PAF	Internal Audit (Individual Partners)	Annual	Work completed to confirm that there is monitoring of central government guidelines in relation to pooling and that changes are communicated to relevant partners.	Pension Committee Audit and Standards Committee	Collective Partner Funds Internal Audit Function - Reporting of Policy Changes. Individual Partner Fund Internal Audit Functions - Reporting to Pensions Committee and Local Pensions Board.	