



**LOCAL PENSION COMMITTEE – 6 SEPTEMBER 2024**  
**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**  
**RISK MANAGEMENT AND INTERNAL CONTROLS**

**Purpose of the Report**

1. The purpose of this report is to inform the Local Pension Committee of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

**Policy Framework and Previous Decisions**

2. The Local Pension Committee's Terms of Reference sets out that its principal aim is to consider pension matters with a view to safeguarding the interests of all Pension Fund members.
3. This includes the specific responsibility to monitor overall performance of the pension funds in the delivery of services and financial performance, and to consider all matters in respect of the pension funds including:
  - to ensure an appropriate risk management strategy and risk management procedures;
  - ensuring appraisal of the control environment and framework of internal controls in respect of the Fund to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.

**Background**

4. The Pension Regulator's (TPR) Code of Practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of, risk management and internal controls. The Code states this should be a standing item on each Local Pension Board and Local Pension Committee agenda.
5. In order to comply with the Code, the risk register and an update on supporting activity is included on each agenda for this Committee.

**Risk Register**

6. The 19 risks are split into six different risk areas. The risk areas are:

- Investment
  - Liability
  - Employer
  - Governance
  - Operational
  - Regulatory
7. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.
  8. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).
  9. The latest version of the Fund's risk register was approved by the Local Pension Committee on the 19 June 2024.
  10. There has been one change to the risk scores since the 19 June 2024 and some other minor changes which are highlighted below. The Local Pension Board considered this report on 31 July 2024 and had no comments.
  11. To meet Fund Governance best practice, the risk register has been shared with Internal Audit. Internal Audit have considered the register and are satisfied with the current position.
  12. The risk register is attached to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

### **Revisions to the Risk Register**

**Risk 6: If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late. This includes data at year end.**

13. The risk scores have remained the same however an update has been made to reflect the additional control of monitoring employers that change payroll systems.

**Risk 11: Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns.**

14. Following the Local Pension Committee's approval of the revised Training Policy on 19 June 2024 the list of current controls has been updated to reflect Members must complete Hymans Aspire Online Training within six months of appointment. In reflecting some turnover of membership, the risk scores have remained the same.

15. Prior to this meeting the Chairman has been updated on current completion of Hymans Aspire Online Training and Members will have received a reminder on modules outstanding.

**Risk 15: If transfer out checks are not completed fully there may be bad advice challenges against the Fund. There are some challenges being lodged from Claims Management Companies on historic transfers out.**

16. This has been updated to reflect further risk causation through the manual calculation of transfer values as a result of McCloud. As a result, the likelihood of the risk has increased to four, increasing the current risk score to 8 (Amber) and changing the risk response from tolerate to treat.
17. To mitigate for the risk some McCloud calculations can be completed using a Local Government Association template, keeping the residual risk score at six (Green).

### **Recommendation**

The Local Pension Committee is asked to note the report and approve the revised Pension Fund risk register.

### **Equality Implications**

18. There are no equality implications arising from the recommendations in this report.

### **Human Rights Implications**

19. There are no human rights implications arising from this report.

### **Background Papers**

None

### **Appendix**

Appendix A – Risk Register  
Appendix B – Risk Scoring Matrix and Criteria

### **Officers to Contact**

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