Governance

Objective	High Level Risk	Detailed Risk	Impact	Likelihood	Pre-control Risk Score	Controls	Source of Assurance	Impact	Likelihood	Post-control Risk Score	Review Date	Actions Description	Outcome of Review /Changes made	Owner
1.0 To meet the highest standards of Governance and demonstrate key principles of accountability and transparency through clear responsibilities and reporting	**1.0 Failure to define agree and report Fund objectives**	Failure to set objectives	3	4	12	Fund objectives are defined and reviewed annually as part of the risk register summary and approved by pensions committee and Pensions Board.	Objectives documented in Risk Register and key Policy Documents	3	3	9	Sep-23			MS/HW
		Failure to include an assessment of performance using agreed benchmarks	3	3	9	For each key area of the fund appropriate KPI's are determined and assesed regularly.	Pensions Committee, Pensions Board, Internal and External Audit, Portfolio Evaluation, CIPFA benchmark, Pensions Regulator, Audit and Standards Committee, CEM, ONS return, DLUHC.	3	3	9	Sep-23			MS/HW
		Failure to report annually to the Pensions Committee and to review the objectives	3	4	12	Pensions Committee and Pensions Board	Report to Pensions Committee, Pension Board as part of key policy documents	3	2	6	Sep-23			HW
1.1 To ensure the Fund has an appropriate governance structure	**1.1 Failure to have an appropriate Governance structure in place including appropriate polices e.g. Conflicts of Interest**	Failure to publish a Governance Policy Statement	3	2	6	Governance is implemented in accordance with the Governance Policy Statement which sets out the roles and responsibilities of all parties	Governance Policy Statement	1	1	1	Mar-23	Scheme advisory board Good Governance project phase 3. Myners principals?	Review policy once guideance from Good Governance review known.	MS
		Failure to set up bodies with appropriate constitutions	4	2	8	Pensions Committee, Pensions Panel, Pensions Board and LGPS Central have individual terms of reference.	Pension Board, County Council constitution, Internal Audit of governance arrangements, TPR report to regulator. Virtual/Hybrid meetings can be facilitated, where allowed.	1	1	1	Sep-23			MS
		Failure to have appropriate representation on County Council Committees and LGPS Central	3	3	9	County Council constitution, Shareholders agreement of LGPS Central	Pension Board, LGPS Central terms of reference and governance structure.	1	3	3	Sep-23		Current review with MADS in progress	County Counc
		Failure to review Governance standards against suitable benchmark (Government guidance e.g. Code of practice 14)	4	4	16	Officers monitor and are aware of various governance standards and changes within them.	DLUHC, tPR, SAB, LGA,	3	4	12	Nov-22	Review following tPR revision of code of practice (from 15 codes to 1) and consider internal/external review. Due Sept 22. GAP analysis		All
		Failure to address conflicts of interest with appropriate policy with conflicts properly recorded and acted upon	3	3	9	Conflicts of Interest Policy exists and conflicts are a standing item on agendas	Conflicts Policy published, Conflicts reported, Pension Board	2	1	2	Ongoing		Conflicts policy reported to June 2021 Pensions Committee. Next review March 2022 Committee	Member and Democratic services

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1.2 To ensure that all Elected Members and officers have appropriate Knowledge and skills	**1.2 Failure to ensure that Elected Members and Senior Managers have the required skills or qualifications to perform their function effectively, and are supported by an ongoing programme of training**	Failure to adopt CIPFA Knowledge and Skills Framework	4	4	16	Adoption of CIPFA Training and Skills Framework, Training policy, Training Logs for Committee and Board	Pension Board, Training need analysis, Hyman's Aspire online training, LGA fundamentals.	3	2	6	Sep-23	Impact of SAB Good Governance Review?		HW/ MS
		Failure to keep training records	2	4	8	Training Logs kept for Elected Members Annual Training Programme. Publish training in Annual Report	Training records exist. Pension Board. Annual training needs analysis. Hymans online training records reports emailed monthly.	1	1	1	Sep-23			HW/ MS
		Failure to deliver regular training to Elected Members	3	4	12	Annual TNA vs CIPFA KSF, Training Policy, Annual training plan.	Pension Board, AON, Self assessment, Regular "just in time training" at meetings, two Committee training session per year, Virtual training carried out to ensure continuity. Hyman's online training comprehensive in all areas of fund. LGA Fundamentals offered to all members	2	2	4	ongoing	Impact of SAB Good Governance Review?	TNA completed Jan 22	HW/ MS
		Failure of senior officers to have appropriate skills, or knowledge	4	2	8	Senior Officers can demonstrate appropriate knowledge, skills and experience	Qualifications and experience of senior officers, "we talk", appointment process, training and development log, CIPFA KSF, TNA, sucession planning	1	2	2	Apr-23	Impact of SAB Good Governance Review? Sucession planning becoming more important in some areas.	Structure reviewed and new posts identified. Sucession planning in place	MS
1.3 To ensure the Fund has appropriate financial, investment and actuarial advice	**1.3 Failure to have proper arrangements to receive appropriate advice; including appropriate procurement and monitoring of performance of advisors**	Failure to have appropriate advisors including avoidance of reliance on a sole advisor	4	4	16	Several advisors are procured, they are appropriately qualified (Actuarial, FCA)	Several advisors are in place and regularly attend Committee/Panel/meeting s with officers and Pensions Board meetings as required. Hymans always provide a second back up advisor for actuarial and investment advice. CMA guidance requires objectives and regular retendering of advisors.	3	2	6	annual	Second independednt advisor to be appointed.	Objectives set for advisors as per CMA	MS
		Failure to regularly tender for advisor – or failure to report reasons for not tendering for approval	4	4	16	Services are tendered regularly (or reasons for not doing are approved by elected members)	Procurement regulation compliance, contract termination dates, Procurement Contracts register. CMA requires regular retendering of advisors.	2	3	6	annual	Second independednt advisor to be appointed.	advisors reappointed as from April 21	MS
		Failure to have appropriate contracts in place	4	4	16	Suitable contracts are in place	Legal services, Internal Audit, Procurement, suppliers	2	2	4	annual	Contracts need to be put in place for independent advisors when next retendered. Consider tender independents in 2022/23.		MS
		Failure to monitor and report performance of advisors	3	4	12	Advisors performance is monitored annual by the Pensions Panel in line with the CMA objectives	Report to Pension Committee, Pension Board, GAD Actuarial assumptions, Officer and member feedback. Portfolio evaluation measures strategic asset allocation decisions. CMA objectives for investment consultant.	3	3	9	Aug-23			MS

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1.4 To ensure assets are safeguarded and properly accounted for and reported upon.	**1.4 Failure to have appropriate custody arrangements in place for liquid markets and illiquid investments (Inc. property)**	Failure to have custody arrangements in place for every asset class; including Liquid assets held at custodian (Equities and Bonds), Cash AND Illiquid asset classes; Property, Private Equity, Hedge Funds, Private Debt, Infrastructure. Both at LGPS Central and SPF	5	2	10	Custody arrangements in place, LGPS Central is FCA regulated and has services of depository and operator.	Legal Custody agreements exist for liquid assets held at custodian. Other arrangements for illiquid assets are documented. Annual investment strategy for cash. LGPS Central ARCC, internal and extrnal audit all review. AAF Internal controls reports reviewed.	5	2	10	Sep-23	Need to futher understanding of custodian arrangements in private markets.		MS
		Failure to have custodian contract with appropriate obligations and clear sanctions for default. Both at LGPS Central and SPF	4	2	8	Contract contains detailed provisions for safekeeping of assets.	Custodian agreement has appropriate provisions	4	1	4	ongoing			MS
		Failure to ensure either custodian has a high credit rating	3	3	9	Custodian credit rating high;	Custodian has high credit rating, (NT long term rating currently currently AA-/AA2)	3	1	3	ongoing			MS
		Failure to ensure assets are completely and accurately recorded	4	3	12	Monthly check on reporting of assets by managers vs custodian, by SPF and LGPSC. Managers valuations.	Internal controls report (eg.AAF0106 type 2), Internal & External Audit. Managers controls, assets valued in accordance with standards. LGPS central PAF audit working group.	4	2	8	Sep-23			MS
		Failure to ensure that any custodian has suitable systems and processes to keep records separately from their own assets.	4	2	8	Arrangements reviewed regularly, Legal Services keep property records. Limited Partnership agreements for illiquid investments and other documents held by manager custodians. LGPS central depository	Internal controls reports (eg.AAF0106 type 2), Audit assurance visit, bi annual visits, FCA. Work of LGPS Central Audit working group. LGPS Central have AAF0106 type 2 report.	4	2	8	ongoing	Electronic Property records system being set up 2022.		MS
		Failure to ensure that any assets lent out under a stock lending programme are safeguarded, by having a separate agreement and robust securitisation in place	4	3	12	Stocklending subject to separate agreement and strict controls. Access through passport to stock lending report	Northern Trust agreement. Security reviewed by consultants. Collateral in place for all agreements, Client meetings. Securities lent and collateral held viewed through Northern Trust Passport for SPF held assets. LGPS Central Securities Lending Policy	4	2	8	ongoing			MS
		Failure to ensure that stock lending activity and controls are reported to the Pension Panel regularly	2	3	6	Ensure officers review stock lending activity and controls. This has not been reported to Pensions Panel for 4 years due to decreasing income and pending assets moving to LGPS central.	Pension Panel report. Pension Board. Annual meeting with custodian	2	3	6	Sep-23	Review if we need to report securities lending to Panel, including LGPS Central.		MS

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1.5 To ensure that the Fund makes all information it is required to make available to stakeholders and that the information is easy to understand. To meet best practice standards wherever possible	**1.5 Failure to publish all documents required by legislation including statutory accounts and annual report and key documents comprising Governance Strategy, ISS, FSS. Communications Policy**	Failure to publish all key documents including Annual Report, ISS, FSS, Governance Strategy, Communications Policy, Actuarial Valuation.	4	3	12	Key documents list is maintained and all key documents are completed, reviewed regularly and published	Documents published, regulations, CIPFA guidance, TPR codes of practice, Pensions Board, Pensions Committee, Internal Audit, external audit	4	1	4	Annual	Administration Strategy and Governance strategy need to be reviewed following Good Governance, TPR single code.	Governance Document Register is included as part of the committee cycle.	MS
		Failure to regularly review all key documents	3	4	12	Governance Document Register is maintained and all key documents are completed, reviewed regularly and published	Documents published, regulations, CIPFA guidance, TPR codes of practice, Pensions Board, Pensions Committee, Internal Audit, external audit	3	3	9	Annual			MS
1.6 To comply with all legislation relating to Local Government Pensions.	**1.6 Failure to adhere to relevant statutory regulations including updates to LGPS**	Failure to know about legislative change	5	4	20	Regular review of prospective changes through consultations; updates from LGA and intelligence from conferences and advisors	Pension Board, Altair system updates, LGA, Hymans, POGS, Eversheds, Heywoods. Monthly reviews of LGA bulletins	5	3	15	Ongoing	Review impact of McCloud, Goodwin, exit payment cap to be introduced.		MS SJ JW
		Failure to implement changes to systems, processes and to document such as required by legislative change	4	4	16	Ensure any changes are implemented through changes to documents and procedures as required	Pension Board, Altair updates, communications working groups, CIPFA code and example accounts. LGA updates and templates.	4	2	8	Ongoing	Hosted software update assit implimentation of regulation changes, manual calculations- impact on resources. Requirements for national Pensions Dash Board are not fully know, anticipate more work for fund and systems.	Following move to external hosting, software updates now applied immedatly by heywood, frequency increased to 4 times a year from 2.	MS SJ JW
		Failure to train staff as required by the legislative change	4	4	16	Ensure staff are trained in changes as required.	Pension Board, Internal Audit, team meetings, targeted training, webinars, LGA training.	4	3	12	Ongoing	need to train staff on impact and practical implementation of significant regulatory change		MS SJ JW
		Failure to report major legislative change to Pension Committee/Panel	1	3	3	Ensure major changes are reported to Committee/Panel	Pension Committee report, Pension Board	1	2	2	Ongoing			MS SJ JW
		Failure to appoint an independent auditor	4	2	8	Auditor appointed	Auditor appointed as part of County Council arrangements	4	1	4	Contractual			County Counc
		Failure of the independent auditor to report to the Pension Committee	3	2	6	Audit Reports	Audit report to Committee. Pension Board and Audit and Standards Committee	2	1	2	Annual			TB
1.7 To ensure the Fund has a risk register that is comprehensive, linked to objectives and regularly reported and reviewed	**1.7 Failure to have comprehensive risk management arrangements, including a Fund risk register in place; failure to regularly review, update, and identify controls to mitigate significant risks, including risk of fraud, and management assurance arrangements to ensure key controls are operating effectively and consistently**	Failure to have a comprehensive risk register in place	3	3	9	Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisors, LGA, press, conferences etc.)	Risk register exists and is regularly reviewed and updated as part of quarterly officer risk register meetings also attended by Pensions Board.	3	1	3	Annual review	Link Risk Register objectives to any new objectives created by review e.g RI		Pensions Cor

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1.8 Participation in LGPS Central Pool of Funds	**1.8 Failure of Pool to have proper Governance arrangements in place.**	Failure to review the risk register at least annually and to report to Pension Committee	4	3	12	Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisors, LGA, press, conferences etc.) Pensions Board review Risk Register on behalf of Pensions Committee.	Pension Committee report. Pension Board Quarterly reports	3	2	6	Quarterly			HW
		Failure to identify new risks	4	4	16	Comprehensive Risk Register in place and reviewed regularly, Controls are regularly tested. New risks are identified by regular review of changes (informed by advisors, LGA, press, conferences etc.)	Risk register updated for new risks	3	3	9	Quarterly			All
		Inappropriate governance structure set, with no terms of reference, no defined membership and meetings not formally constituted.	3	4	12	Joint Committee, Shareholders Forum and Practitioners advisory forum exist, have clear terms of reference and defined membership. CIPFA guidelines. FCA regulation. Company law. LGPS Central company and pool risk register exist - LGPS Central Joint Committee review company risk register	Staffordshire members regularly attend meetings of Joint Committee, Shareholders Forum and Practitioners Advisory Forum, and that decisions are reported back to Pensions Committee. Audit Assurance Framework	2	2	4	Ongoing	Attendance at meetings are monitored and reported. LGPSC shared objectives are currently being reviewed by PAF.		Pensions Cor

NB, risks associated with pooling will change as LGPS Central is formed and transition is progressed.