

Date:	18 January 2016
Classification:	General Release
Title:	Risk Register Review
Report of:	Steven Mair <i>City Treasurer</i>
Wards Involved:	All
Policy Context:	Effective Control over Council Activities
Financial Summary:	There are no financial implications arising from this report

1. Executive Summary

- 1.1 This report gives an overview of the risk management arrangements for the Westminster Pension Fund.
- 1.2 This report focuses on the financial operational risks to the Pension Fund, resulting from a failure of the Council's financial system and outlines the mitigating actions which are in place.

2. Key Matters for the Board

- 2.1 The Board note the contents of this paper.
- 2.2 The Board members consider an area of the Risk Register to focus on for the next meeting.

3. Background

- 3.1 It is best practice for Pension Funds to maintain a risk register to ensure that the risks they face are properly understood and where appropriate action is needed to mitigate them.

- 3.2 Risk management is an issue for all those involved in the management of an LGPS fund, including members of the Pension Fund Committee, officers managing the Fund and the fund administrator. The Pension Board's role is to assist the administering authority in such activities to ensure effective and efficient governance and administration of the Scheme, as outlined in its Terms of Reference.
- 3.3 Attached at Appendix 1 is the updated Pension Fund Risk Register, which was reported to the Pension Fund Committee (the 'Committee') in November 2015. This supersedes the version which was previously presented to the Pension Board.
- 3.4 The first part of the register covers strategic risks to the Fund which in general have to be accepted and cannot be mitigated against, as they are inherent when running a Pension Fund. The Committee need to be aware of these risks particularly when making strategic decisions. The second part details operational risks which are mitigated through procedures and processes.
- 3.5 Officers review the risk ratings quarterly in advance of each Committee meeting and alter the ratings when appropriate. Any changes to ratings will be highlighted at the front of the Risk Register.
- 3.6 The Pension Board members agreed at the meeting in October that focus would be given to a different section of the Risk Register in future meetings.

4. Focus Area: Operational: Administration – Failure of Financial System

- 4.1 The "*failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and fund accounting not being possible*" is the first risk area which Board members have decided to focus on. This is referenced as Risk 19 in Appendix 1.
- 4.2 This risk has a high risk classification due to the Council having a new financial system.
- 4.3 In April 2015 a new financial system, Agresso, was introduced across the Tri-Borough as part of the Managed Services Programme (MSP) and much of the transactional processing has been outsourced to BT. Two operational areas of the Pension Fund which are affected by these arrangements are the payment of lump sums to scheme members and the payment to suppliers for services provided.
- 4.4 Since the launch, some problems were identified in the smooth processing of payments on the system, therefore additional actions and controls were put in place.

- 4.5 With regard to the payment of supplier invoices via Agresso, officers undertake thorough monitoring and additional testing, to ensure that the complete process has completed correctly. These measures seek to ensure that settlement has been made to the supplier and that the transactional entries have been accounted for accordingly.
- 4.6 As a contingency, there is a facility to make manual payments if there is a systems failure. This process requires the Pension Fund Officer to input the payment on the system which must then be approved by the appropriate officer as authorised in the scheme of delegation.
- 4.7 Lump sum payments are made to scheme members by Surrey County Council, who is the Fund's appointed pension administrator. There is no direct interface between the pension administration system and Agresso. The administrators do not have full access to Agresso and are unable to make payments via the system, but this issue is currently being addressed by the MSP Team. As an alternative arrangement, payments are instead made directly through the banking BACS system as a two stage inputter/approval process. Audit records are maintained and sent to the Pension Fund Officer on a timely basis for reconciliation and review.
- 4.8 Officers have undertaken additional measures to resolve the transitional issues, including site visits to both BT and Surrey County Council, producing test scripts, procedure notes and detailed reconciliations.

5. Next Meeting

- 5.1 The Board members are asked to consider the Risk Register focus area for the next meeting.

If you have any queries about this report please contact the author:

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BACKGROUND PAPERS: None

Pension Fund Risk Register, November 2015