

Bath & North East Somerset Council		
MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND	
MEETING DATE:	25 <sup>th</sup> February 2016	AGENDA ITEM NUMBER
TITLE:	Risk Register & Internal Audit Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	Pension Fund Risk Register	
Appendix 2	Action Plan	
Appendix 3	Summary of Pension Fund Internal Audit Work	
Appendix 4	Draft Internal Audit Report on Pensions Governance	

## 1 THE ISSUE

- 1.1 The purpose of this report to present the current position of the Avon Pension Fund Risk Register and associated Action Plan for review by the Board and an update on Internal Audit activity.
- 1.2 The report and its appendices are important for the Board to consider in the context of their understanding of the performance and management of the fund.

## 2 RECOMMENDATION

### That the Board

- 2.1 Notes the report and comment on the Risk Register and Audit Plan for 2016/17.

## 3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct implications related to the Pension Board in connection with this report aside from any additional audit review costs requested by the Board.

## 4 REPORT

### RISK REGISTER

- 4.1 The Risk Register follows the format of the Council's risk register for each service. It identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.
- 4.2 The Risk Register is reviewed regularly by the pension management team. Risks identified cannot be eliminated but can be treated via monitoring.

4.3 The risks identified fall into the following general categories:

- (i) Fund administration & control of operational processes and strategic governance processes and TPR compliance – mitigated by having appropriate policies and procedures in place, use of electronic means to receive and send data and information
- (ii) Service delivery partners not delivering in line with their contracts or SLAs – mitigated by monitoring and measuring performance
- (iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian – mitigated by processes to reconcile payments, regular review of strategic return and manager performance and annual review of investment strategy, robust legal contracts to protect against fraud & negligence
- (iv) Changes to the scheme – mitigated by project plans with defined milestones and responsibilities, progress reviewed periodically by management team
- (v) Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions – mitigated by having well defined investment policies and by engaging with the government through the consultation process

4.4 The Fund continues to invest significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service. The arrangements in place are supported by external and internal audit reviews.

4.5 The register and associated Action Plan are attached at Appendix 1 and 2.

#### **INTERNAL AUDIT**

4.6 Internal Audit reviews the fund as part of their overall plan across all activities within the Council and there is no specific audit plan for the fund as only 30 days review work takes place. Normally one or two audit reviews occur each year and a summary of work undertaken in the last three years is attached at Appendix 3.

4.7 During 2015/16 two audit reviews have been carried out –

Pensions Governance – See Appendix 4 for Draft Report

Pensions IT Controls (Altair System) – WIP to be finalised by March 2016.

4.8 There are no significant issues or areas of concern at this stage in relation to any Internal Audit work carried out in 2015/16 however for information a copy of the draft report of Pensions Governance is attached at Appendix 4 for information.

4.9 As part of preparing its audit plan for 2016/17 consultation has taken place with various senior managers alongside a broad risk assessment against key risks facing the Council.

4.10 At present the draft plan contains the following two reviews relevant to the Avon Pension Fund and work of the Board –

- Pensions Governance (Remaining elements not covered in 15/16 review of Code of Practice 14, i.e. Governance, Whistleblowing, Disputes & Breaches)

- Pensions Payroll

- 4.11 The Board is asked to comment on any specific audit activity which they would like to be considered for the 2016/17 prior to it being submitted to the Council's Audit Committee in March for approval. Costs for any additional work over and above that identified in para 4.9 would need to be met from the budget for the Board and a separate report on the agenda details this budget.

## **5 RISK MANAGEMENT**

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance and there are no significant or material risks to report.

## **6 EQUALITIES**

- 6.1 A proportionate equalities impact assessment has been undertaken and there are no significant issues to report.

## **7 CONSULTATION**

- 7.1 Report and Issues have been subject to consultation with the S151 Officer and Strategic Director of Resources.

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<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	