

Governance Risk Register August 2023

DATE :

Summary of Risks Ratings

Almost Certain	0	0	0	0	0
Likely	0	0	0	0	0
Possible	0	2	0	0	0
Unlikely	0	7	2	0	0
Rare	0	3	0	0	0
Unassigned 0	Insignificant	Minor	Moderate	Major	Severe

Red Risks Total:

Risk Register	Risk Title	Net Risk Level	Risk Owner
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New Risks Total:

Risk Register	Risk Title	Net Risk Level	Risk Owner	Created Date
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Changing Risks Total:

Risk Register	Risk Title	Net Risk Level	Change	Risk Owner
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Detail							
Governance Risk							
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0001	Failure to collect and account for pension contributions being paid over to the Fund on time by Fund employers. Potential Reputational Risk.	Adverse audit opinion, potential delays to Fund employer financial reporting; and potential delay to production of annual report and accounts.	Cllr David Thomas Chris Hurst	6	4	17/07/2023	Review Summary: This is currently being reviewed and performance monitored and fed back to Board and Committee as required.
02/12/2019						17/01/2023	Review Summary: Monitoring in place within Finance Section. Intention is to try and use technology once available. Improved process recently established with regular checks taking place.
Controls and Actions				Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> Contributions received monitored on a monthly basis by Fund accounting staff . Contributions received monitored on a monthly basis by Fund accounting staff . 				Control In Place			
<ul style="list-style-type: none"> Requirement that each end of scheme year, Fund employers certify they have paid over contributions at the correct rates and time Requirement that each end of scheme year, Fund employers certify that they have paid over contributions at the correct rates and on time. regular Communications to Employers to remind them of their responsibilities. production of the Employer Policy to help Employers. 				Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0002	Insufficient Fund cashflow to meet liabilities as they fall due. Potential Reputational Risk.	Immediate injections of cash from Fund employers would be required where Fund assets cannot be liquidated quickly. For now the Fund is cashflow positive but will not remain so for much longer, therefore requiring the use of investment income to subsidise the payment of pension benefits rather than being reinvested as now.	Cllr David Thomas Chris Hurst	9	6	05/05/2023	Review Summary: Cashflow work to take place in Spring/Summer 2023.
03/10/2016						04/05/2022	Review Summary: Cashflow review to be conducted in 2022/23
Controls and Actions				Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> cashflow forecast in place Funding strategy statement in place 				Control In Place			
<ul style="list-style-type: none"> review strategic asset allocation to keep positive cashflow Strategic asset allocation review completed to ensure that cashflow remains positive (on a targeted and monitored basis) whilst at the same time ensuring that the Fund is not forced to liquidate assets on an unplanned basis. 				Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0003	Inability to deliver service as a result of the loss or over reliance of key personnel.	Failure to provide service at all, or at an acceptable level	Cllr David Thomas Chris Hurst	6	4	05/05/2023	Review Summary: Consideration given towards succession planning and knowledge sharing. The recent restructure was designed with that in mind, so need to ensure implementation
27/09/2016						08/04/2022	Review Summary: Risk considered. No update
Controls and Actions				Latest Control		Reviews	Review Date

Detail

Governance Risk

<ul style="list-style-type: none"> Business Continuity Plan in place for the pensions administration service Assurances received from all systems providers in relation to their current resilience to the threat of a failure in cyber security. 	Action In Progress	13/05/2020 08/09/2020	Review Summary: Regularly review BCP Review Summary: BCP reviewed 07.09.2020	05/12/2023
<ul style="list-style-type: none"> Keep Business Continuity Plan under review 	Control In Place			
<ul style="list-style-type: none"> Knowledge Gaps In the short term, knowledge gaps can be filled by using our external colleagues from other Welsh Funds and buying in assistance. In the longer term, ensure succession plans are in place and appropriate. 	Control In Place			

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
GOVERN0004 08/11/2016	Loss of funds through fraud or misappropriation	Financial loss to the Fund	Cllr David Thomas Chris Hurst	6	2	03/07/2023 12/12/2022	Review Summary: No change to process and continues Review Summary: Process remains in place.
Controls and Actions				Latest Control		Reviews	Review Date
	<ul style="list-style-type: none"> audit and control tests, due diligence done when new manager appointed Internal and External Audit regularly test that appropriate controls are in place and are working effectively. Due diligence is carried out whenever a new investment manager is appointed. 			Control In Place			

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
GOVERN0005 04/09/2017	Significant rise in employer contribution rates for Fund employers with strong covenants, as consequence of increases in liabilities.	Employer contribution rates rise to unacceptable levels, putting upward pressure on Council Tax rates and the ability of Powys County Council to continue to deliver services to its communities.	Cllr David Thomas Chris Hurst	6	2	03/07/2023 12/12/2022	Review Summary: Valuation was positive and contribution rates reviewed and revised accordingly Review Summary: Will be considered after valuation results in 2023
Controls and Actions				Latest Control		Reviews	Review Date
	<ul style="list-style-type: none"> Employers have Discretionary Powers Policies that help to control liabilities Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's control. 			Action In Progress	12/12/2022 13/05/2020	Review Summary: Policies due for review in 2023 Review Summary: Regular Covenant Assessments	05/12/2023
	<ul style="list-style-type: none"> insurance options investigated Investigate further liability mitigations such as ill health strain insurance; developing guidance to assist employers to manage liability increases derived from their actions or inactions; and, work closely with the Fund actuary to determine appropriate valuation assumptions and deficit recovery strategies. 			Action In Progress	30/08/2022 12/12/2022	Review Summary: Appropriate ill health assumptions made for 2022 valuation. Can consider the other factors as part of valuation work. Review Summary: Considered in 2022 valuation work	05/05/2024

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
GOVERN0006 04/10/2016	Significant rises in employer contribution rates for Fund employers with weak covenants as a consequence of increases in liabilities.	Employer contribution rates rise to unsustainable levels that cause employers to become insolvent	Cllr David Thomas Chris Hurst	8	4	04/10/2022 08/04/2022	Review Summary: Actuary considering during 2022 valuation Review Summary: Part of 2022 valuation work
Controls and Actions				Latest Control		Reviews	Review Date

Detail

Governance Risk

• In process of developing risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty
Employers have Discretionary Powers Policies that help to control liabilities. In reality, little can actually be done in mitigation due to the fact that liabilities are largely determined by bond yields that are outside of the Fund's

Action In Progress

09/01/2023
13/05/2020

Review Summary: Ongoing and regularly reviewed.
Review Summary: Review Risk Sharing Agreement/Approach

13/01/2024

Consider risk sharing arrangements to enable employers with weak covenants to attain a degree of certainty over the level of employer contribution rates.
control.

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio		Latest Risk Reviews	
			Owner	Inherent		

GOVERN0007 04/09/2017	Significant rises in employer contribution rates for employers with strong covenants as a result of poor/negative investment returns.	Employer contribution rates rise to unacceptable levels that result in Powys County Council being unable to provide appropriate services for its communities.	Cllr David Thomas Chris Hurst	6	2	03/07/2023 12/12/2022	Review Summary: Work with actuary to commence on covenant assessments in summer 2023 Review Summary: Will be reviewed in 2023 after valuation results known.
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Controls and Actions				Latest Control	Reviews	Review Date
<ul style="list-style-type: none"> Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Use expert specialist consultants to help set and monitor investment strategy and investment manager performance and selection. Quarterly investment performance reports presented to Pension Fund. 				Control In Place		
<ul style="list-style-type: none"> Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classees Continual monitoring of performance; review of asset allocation strategy, including consideration of alternative asset classees and non-market led assets. 				Action In Progress	12/12/2022 08/09/2020	Review Summary: Continuing and reviewed at each Committee meeting. Interim review conducted and no plans to change strategy Review Summary: Continuing and reviewed at each Committee meeting

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio		Latest Risk Reviews	
			Owner	Inherent		

GOVERN0008 11/10/2017	Failure to comply with LGPS and other statutory regulations. Potential Reputational Risk.	Payment of incorrect pension benefits; provision of incorrect benefit estimates; failure to comply with governance standards; failure to meet HMRC tax requirements. Resulting in: loss of customer satisfaction / confidence; IDRPs and Ombudsman appeals; TPR fines for non-compliance.	Cllr David Thomas Chris Hurst	8	6	03/07/2023 11/07/2022	Review Summary: Processes regularly reviewed and updated as required Review Summary: Review process continues as normal
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Controls and Actions				Latest Control	Reviews	Review Date
<ul style="list-style-type: none"> rigorous checking/authorisation procedures for pension benefit calculations and payments, review governance policy; Rand, regular review of governance compliance policy. Staff training and development. 				Action Completed		
<ul style="list-style-type: none"> Closer partnership working with employer payrolls to facilitate accurate data receipts; Closer partnership working with employer payrolls to facilitate accurate data receipts; increased compliance oversight provided by well established Pensions Board. 				Control In Place		

Detail							
Governance Risk							
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0009	Lack of expertise of Pension Fund Officers and expertise of members of the Pensions & Investment Committee	Poor decision making in relation to principal functions of the Pension Fund , particularly in relation to investments.	Cllr David Thomas Chris Hurst	8	6	03/07/2023	Review Summary: Training needs assessments conducted and plans put in place accordingly
25/01/2016						12/12/2022	Review Summary: Ongoing training carried out
Controls and Actions				Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> training and performance reviews, conferences, seminars to upskill and develop knowledge Officers ensure that they receive appropriate training and are required to keep up to date with developments in pensions matters, as part of their periodic Individual Performance Reviews and by attending relevant conferences and seminars, by reading and through discussions with consultants and peers. 				Control In Place			
<ul style="list-style-type: none"> Training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both PIC & PB Formalised Officer training via individual training plans based on the CIPFA 'Knowledge and Skills' framework, as is the the procedure for members of both Pensions & Investment Committee and the Pensions Board. <p>Knowledge & Skills Framework in place and published. Annual Training Needs Analysis carried out and training made available to Committee and Board regularly (provided by Fund, WPP and 3rd parties)</p>				Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0010	Over-reliance on key Officers	When senior Officers leave or are absent due to long term sickness, large knowledge gaps remain.	Cllr David Thomas Chris Hurst	12	6	12/12/2022	Review Summary: Training Plan to be considered for 2023 onwards
25/01/2016						04/05/2022	Review Summary: Reflected and recorded in BCP. Plan in place to share knowledge within Pensions Section
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews	
Date Identified			Owner				
GOVERN0011	Failure to provide the pensions service in accordance with principles of equality.	Some stakeholders may be unable to access the service fully or at all. In the worst case scenario, this could result in court action against the Fund.	Cllr David Thomas Chris Hurst	9	4	03/07/2023	Review Summary: Welsh website recently updated and relaunched (June 2023)
26/01/2016						12/12/2022	Review Summary: No Change. Operate LGPS in accordance with the Regulations
Controls and Actions				Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> The Fund maintains a Welsh Language register in respect of scheme members and employers . The Fund maintains a Welsh Language register in respect of scheme members and employers . 				Control In Place			
<ul style="list-style-type: none"> To utilise technology to enable access to service and information for stakeholders with disabilities , other language needs etc. To utilise technology to enable access to service and information for stakeholders with disabilities , other language needs etc. 				Control In Place			

Detail

Governance Risk

Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
GOVERN0012 25/01/2016	Failure to collect payments due from ceasing employers with no active members.	Failure to collect cessation payments from ceasing employers results in relevant liabilities being funded by the Powys Pension Fund and the active employers.	<i>Cllr David Thomas</i> Chris Hurst	6	4	13/07/2023 09/01/2023	Review Summary: Monitoring continuing Review Summary: Updated funding positions and assessments ongoing.
Controls and Actions				Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> • employer covenants, guarantor bonds, risk sharing agreements The Fund undertakes periodic reviews of the strength of employer covenants. For existing employers, the Fund requires that a guarantor, bond or 'risk sharing agreement' is in place. For all new employers, the Fund insists on either a guarantor or a bond being in place.				Control In Place			
Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
GOVERN0013 25/01/2016	Lack of expertise of members of Pensions & Investment Committee	Poor decision making in relation to all aspects of the Fund, particularly those in relation to investment.	<i>Cllr David Thomas</i> Chris Hurst	9	6	17/01/2023 11/04/2022	Review Summary: Training needs analysis completed and training provided regularly. Review Summary: Training needs analysis to be circulated following elections in May, once new Committee established
Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
GOVERN0014 01/11/2017	An admitted body ceasing to exist with insufficient funding or level of a bond available to meet all its Fund liabilities.	Unfunded pension liabilities being orphaned without sufficient funding/guarantees in place, resulting on increased liabilities falling on other Fund employers.	<i>Cllr David Thomas</i> Chris Hurst	6	4	13/07/2023 11/10/2022	Review Summary: Monitoring continues Review Summary: Valuation Work Continuing
Controls and Actions				Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> • To seek funding guarantees wherever possible, from other Scheme employers or outside bodies To seek funding guarantees wherever possible, from other Scheme employers or outside bodies. To require, in all cases, a bond or other form of security to protect the Fund in the case of unexpected cessation and insolvency. Ensuring that admitted bodies are fully aware of their obligations and responsibilities to the Pension Fund and the benefits of their employees.				Control In Place			
<ul style="list-style-type: none"> • Regular review of admitted body covenants and financial health. Regular review of admitted body covenants and financial health.				Action In Progress	05/05/2023 08/09/2020	Review Summary: Work to begin on latest review in 2023 Review Summary: Covenant Assessments commencing Q3 2020	05/12/2023
Risk Ref Date Identified	Risk Identified	Potential Consequence	Portfolio Owner	Inherent	Residual	Latest Risk Reviews	
GOVERN0015 09/10/2020	Appointment of new Pension Board Chair and membership of the Local Pension Board	Non compliance with Public Services Pension Act. Challenge and scrutiny from the Pensions Regulator. Reduced quality of governance.	<i>Cllr David Thomas</i> Chris Hurst	12	4	01/03/2023 08/07/2022	Review Summary: Chair Continuing in position. Review Summary: Chair continuing for a further 12 months

Detail								
Governance Risk								
Controls and Actions					Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> Pension Board Terms of Reference stipulate membership periods Pension Board Terms of Reference stipulate membership periods and work with Pension Board members and administering authority to ensure appropriate recruitment processes are in place. 					Control In Place			
Risk Ref	Risk Identified	Potential Consequence	Portfolio	Inherent	Residual	Latest Risk Reviews		
Date Identified			Owner					
GOVERN0016 29/03/2020	Pension Fund Personnel and/or key suppliers are unable to work due to extreme weather, fire, epidemics	Inability to deliver administration services or investment of the Fund. Impact of welfare of Pensions Section Staff.	Cllr David Thomas Chris Hurst	9	6	03/07/2023	Review Summary: Business Continuity Plans regularly reviewed and updated as required	
						12/12/2022	Review Summary: Reviewed and Business Continuity Plans in place	
Controls and Actions					Latest Control		Reviews	Review Date
<ul style="list-style-type: none"> Business Continuity Plan Business Continuity Plan, assessment of Pensioner Payroll services. Electronic implementation of paperwork. 					Control In Place			