

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 October 2018

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund – Risk Assurance Mapping

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Executive Summary

A Risk Assurance Mapping exercise was carried out by Price Waterhouse Cooper in 2016. This paper considers whether the continued maintenance of the assurance map provides any tangible benefits for Lancashire County Pension Fund.

Recommendation

It is recommend that the Board agree that the Risk Assurance Map produced by Price Waterhouse Cooper is no long updated and maintained for the Board as the risk register updates provide enough detail.

Background and Advice

In 2016, Price Waterhouse Cooper were commissioned to support Lancashire County Pension Fund in developing both a risk register and a risk assurance map.

The risk assurance mapping process produced a complex risk assurance map detailing the following three areas for each and every risk on the risk register:

1. Management Control and Reporting;
2. Oversight/Governance;
3. Independent Assurance.

The assurance for each of these areas and the associated risks were assessed by Price Waterhouse Cooper through a total of 24 observations - each of which were assessed, rated and subsequently reported, together with recommendations for the fund. These 24 ratings were then used to derive a further RAG (Red/Amber/Green) rating for each part of the risk assurance map for Lancashire County Pension Fund.

The process employed by Price Waterhouse Cooper to produce the risk assurance map for the Fund was both complex and very time consuming. However, it was a useful exercise for the fund in ensuring that an independent assessment of assurance was produced at a time of great change, especially due to the move to a pooling arrangement with the London Pension Fund Authority Fund.

Maintaining the initial risk assurance map produced by Price Waterhouse Cooper is problematic for a number of reasons:

1. It is very time consuming to maintain;
2. Risk assurance mapping is not an exact science and together with the complex approach adopted by PWC's methodology, its actual value is very limited;
3. Risk assurance is recommended to be carried out independently;
4. Such a complex approach to risk assurance is not required for the Pension Fund as its key risks and controls can be easily identified from the Fund risk register;
5. Maintaining such an over-engineered, complex and time-consuming risk assurance map is in itself a risk. It could potentially distract from effectively mitigating against known risks or even failing to recognise new ones.

The risk assurance map has not been reviewed by the Pension Fund Committee as it is too detailed and complex for their requirements and has instead been reviewed by the Board. It is recommended that the Board agree that the Risk Assurance Map produced by Price Waterhouse Cooper is no longer updated, maintained or presented in future.

Consultations

The Local Pensions Partnership's Chief Risk Officer was consulted with regards to this matter.

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire Local Pension Board provide scrutiny and support to the Pension Fund Committee, in relation to their responsibility to ensure there is effective risk management over the Pension Fund operations.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A		
Reason for inclusion in Part II, if appropriate		
N/A		