



LOCAL PENSION COMMITTEE – 9 NOVEMBER 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose

1. The purpose of this report is to inform the Committee of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

Background

2. In April 2015 The Pension Regulator (TPR) published its code of practise on governance and administration of public service pension schemes. This introduced a number of areas pension administrators need to record and members be kept aware of.
3. One area within the code is risk, more specifically 'risk management and internal controls', which the code states should be a standing item on each Pension Board and Pension Committee agenda.
4. The Leicestershire Fund already manages risk and has a risk register in place that is regularly reviewed by officers. Internal and external audit also consider risks within Pensions and highlight any risk concerns. However, in order to comply with the code the Director of Finance has agreed to have this as a standard item on both agendas.

Risk Register

5. The updated Risk Register is attached as an appendix to this report. Progress updates have been made to risks 1-4 and 8, but no change to the rating is required at this time.
6. The rating of risk 5, that concerns implementation of the 2018 amendment regulations, has been reduced reflecting the progress made.

Identified Risks of Concern

7. There are currently no identified risks of concern.

Assurance framework for the LGPS Central asset pooling

8. The governance structure and arrangements for LGPS Central have been established. Staffordshire County Council Internal Audit Service is leading a co-ordinated and collaborative response to these new arrangements. This has involved consultation with all Partner Fund's internal audit functions (including Leicestershire County Council), External Audit Partners, the Practitioners Advisory Forum and LGPS Central.
9. A collaborative approach has been favoured in developing assurance over the new pooling arrangements operating within LGPS Central to:
 - a. ensure a consistent approach to all Partner Funds when providing assurance to their own organisation in relation to Pension Pooling;
 - b. prevent duplication so that LGPS Central are not having to deal with queries from all Partner Funds internal and external auditors;
 - c. effectively share information amongst Partner Funds internal audit functions and also with LGPS Central; and
 - d. identify risks and mitigating controls at an earlier stage.
10. As part of this collaborative approach, Staffordshire County Council's Internal Audit Service has led on the development of an assurance framework applying the three lines of defence model, namely: -
 - a. First line of defence – operational, system and management controls
 - b. Second line of defence - oversight and governance arrangements, and
 - c. Third line of defence - independent assurance functions (internal and external audit, regulator, FCA)

Collectively, these are required to provide assurance to Partner Funds that potential risks regarding pooling have been considered and are mitigated. The assurance framework is currently in draft form and looks at the control environment for the LGPS Central pooling arrangements.

11. The next steps are to determine: -
 - a. The audit work to be completed either by individual Partner Funds' internal audit functions or collectively
 - b. The format and frequency of assurance documents
 - c. An information sharing strategy
 - d. Development of shared audit programmes
12. Assurance over the control framework operating within the company, LGPS Central Ltd, is currently being discussed amongst the Partner Fund internal audit functions and the Practitioners Advisory Forum for the company's first year of operation and for 2019/20 and beyond. This could include reviewing the work and reporting of the Audit Risk & Compliance Committee and other Committees, and the work undertaken by the company's appointed internal auditors KPMG

Recommendation

13. The Local Pension Committee is asked to: -
 - a. approve the revised risk register of the Pension Fund
 - b. note the work being done to develop an assurance framework for the LGPS Central.

Appendix

Risk Register

Equality and Human Rights Implications

None.

Officers to Contact

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