



## **LOCAL PENSION COMMITTEE – 5<sup>th</sup> JULY 2019**

### **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 and 2. The rating of risk 2 has reduced to reflect the progress made in implementing the pension administration system. Risk 3 has also reduced reflecting the low materiality of this service for the Fund.

##### **Identified Risks of Concern**

6. There are currently no identified risks of concern.

### **Assurance framework for the LGPS Central asset pooling**

7. At its meeting on 15 February 2019, the Committee was informed that Staffordshire County Council Internal Audit Service is leading a co-ordinated and collaborative response to providing assurance on the new asset pooling 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. The individual Partner Fund's Internal Audit (IA) services met in March 2019. Since that time the following progress has been made:
8. Since that time:
  - a. The Pensions Assurance Framework - (the Framework) has been compiled using LGPS Central's (the Pool) Risk Register. The Framework is based on the traditional three lines of defence model focusing on the management controls, oversight governance arrangements and independent assurance required to provide assurance to Partner Funds that potential risks regarding asset pooling have been considered and are mitigated. See attached Appendix 2 for further detail.
  - b. The draft Internal Audit Approach was agreed. This document outlines the work to be undertaken both as collective Partner Fund IA services, as well as individual Partner Fund IA services. Collective work will be undertaken every year with Partner Fund IA services taking it in turns to undertake the assurance work in each key risk area detailed in the Proposed Cyclical Programme of Collective Internal Audit Work which is found in Appendix 3.
  - c. As part of this approach, a draft four-year cyclical programme of audits covering 2019/20 to 2022/23 has been developed outlining work to be undertaken by each Partner Fund IA service. Individual Partner Funds will be able to take assurance from work undertaken, and this approach will avoid the need for individuals to duplicate work and ensure efficiency in approach.
  - d. The collective work will be supplemented with individual Partner Fund Internal Audit work specific to each administering authority. Work around this has been built into Leicestershire's 2019/20 Pension Fund Internal Audit plan. See attached document for further detail.
  - e. LGPS Central are in the process of finalising an AAF 01/06 report by the end of June 2019. This is an assurance report which is available to third parties and is used to provide comfort on the effectiveness of internal controls within an organisation. A copy of the draft version was reviewed by Partner Fund IA services, and it has been agreed that this report will be reviewed annually, as a collective, as part of the draft four-year cyclical programme of audits to be undertaken
  - f. Information Sharing Portal - A SharePoint site has been created which will be used to store and share relevant pool documents/emails, etc.
9. The next steps are to: -

- a. A further meeting of Partner Fund IA services has been arranged at the end of July 2019. The full AAF01/06 report, if completed by then, will be reviewed.
- b. Staffordshire County Council are due to lead on the first piece of collective work to review Governance/Company & Financial & Operational Risk. This work is due to start September 2019. This allows sufficient time for LGPS Central to complete the AAF01/06 and begin to action any recommendations.
- c. It is envisaged that Individual Partner Funds will commence audit work after the above work has been completed (Quarter 4).

### **Recommendation**

10. 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**

Appendix 1 - Risk Register

Appendix 2 - Pensions Assurance Framework

Appendix 3 - Internal Audit Approach

### **Equality and Human Rights Implications**

None.

### **Officers to Contact**

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