



**LOCAL PENSION COMMITTEE– 4 JUNE 2021**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**RISK MANAGEMENT AND INTERNAL CONTROLS**

**Purpose of the Report**

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.
2. To summarise the information the Pension Board received regarding:
  - a. the internal audit arrangements for the Leicestershire County Council Pension Fund (Fund)
  - b. outcomes of audits conducted during 2020-21 and outline the internal audit plan for 2021-22
  - c. changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

**Background**

3. The Pension Regulator's (TPR) code of practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of 'risk management and internal controls. The code states this should be a standing item on each Pension Board and Pension Committee agenda.
4. In order to comply with the code the risk register and an update on supporting activity is included on each agenda.

**The Internal Audit Function**

5. The Public Sector Internal Audit Standards (PSIAS), Revised 2017, define internal audit as: - 'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
6. The PSIAS require that after the closure of the audit year, the nominated Head of Internal Audit Service (at the County Council, the Head of Internal Audit & Assurance Service undertakes this role), reports to those charged with governance (the Board), on work conducted during the year containing a summary of findings, recommendations and opinions. The PSIAS also require that at the beginning of the

audit year, an annual plan of audits should be agreed with the Treasurer and noted by the Local Pension Board.

#### Internal Audit Work Conducted During 2020-21

7. The Pension Board received a summary of the work conducted by LCCIAS during 2020-21. Two audits outstanding from the previous year were concluded and four assurance audits were undertaken. The assurance grading was overall positive. There were no high importance (HI) recommendations. Of the four audits undertaken, three were shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts. In addition to this, detailed advice was given in two separate areas, ie, Immediate payments and input to the wider Internal Audit Group as part of the 'pooled' funds work.
8. As part of the ongoing collaborative work with partner fund internal auditors, the LGPS Central Limited AAF Internal Controls Report for the period 1 April to 31 December 2020, was received. The report was unqualified as was the report for the previous quarter, ie. 1 January to 31 March 2020.

#### The Internal Audit Plan 2021-22

9. The Pension Board further received a summary of audits planned during 2021-22. To compile the plan, the HoIAS held discussions with the Fund Treasurer and the Pensions Manager. An assumption has been made that in their audit of the Fund's accounts, the External Auditors (Grant Thornton) will continue to utilise LCCIAS's work in their audit risk assessment.
10. The Local Pension Board welcomed the report at its meeting on the 24 May 2021 and supported the findings and Internal Audit Plan 2021-22.

#### **Risk Management and Internal Control**

11. The updated risk register has been attached as an appendix to this report. One new risk has been added since the last update (February 2021), as detailed below:
  - a. Risk 8 – If the fund's in-house AVC provider (The Prudential) does not meet its service delivery requirements the Pension Fund may be late in making payment of benefits to scheme members.
  - b. In addition, Risk 2 has been amended slightly to include year-end.

#### **Recommendation**

12. The Committee is asked to note the report and approve the revised Pension Fund risk register.

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

None specific

**Appendices**

Appendix a - Risk Register (May 2021)

**Officers to Contact**

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