



**LOCAL PENSION BOARD – 17 APRIL 2024**  
**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 Local Pension Board 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.

**Policy Framework and Previous Decisions**

2. The Local Pension Board's Terms of Reference state that the responsibility and role of the Board is to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; such other matters as the LGPS regulations may specify.

**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 Local Pension Board and Local 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 for this Board.

**Risk Register**

5. The 19 risks are split into six different risk areas. The risk areas are:

- Investment
  - Liability
  - Employer
  - Governance
  - Operational
  - Regulatory
6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.
  7. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).
  8. The latest version of the Fund's risk register was approved by the Local Pension Committee on the 8 March 2024.
  9. There have been no changes to the risk scores since the 8 March 2024 meeting however there have been some minor changes which are highlighted below.
  10. To meet Fund Governance best practise, the risk register has been shared with Internal Audit. Internal Audit have considered the register and are satisfied with the current position.
  11. The risk register is attached to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

### **Revisions to the Risk Register**

#### **Changes to Risk Response Categorisation**

12. In discussion with Internal Audit the following risks have been moved from 'Treat' to 'Tolerate' recognising the low residual risk level.
  - Risk 6: If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late. This includes data at year end.
  - Risk 7: If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected.
  - Risk 12: If the Pension Fund fails to hold all pensioner data correctly, including Guaranteed Minimum Pension (GMP) data, individual member's annual Pensions Increase results could be wrong.

**Risk 14: If immediate payments are not applied correctly, or there is human error in calculating a pension, scheme members pensions or the one-off payments could be wrong**

13. Additional wording has been set out in the current controls column to reflect an additional control relating to a type of bank account verification which has been expanded to include all pensions and transfer payments.

### **Change to the Risk Management Policy Statement and Strategy**

14. At Full Council on 21 February 2024 a revised Leicestershire County Council Corporate Risk Management Policy Statement and Strategy was agreed. This contains the framework for risk management which the Pension Fund follows. This included a change to the Risk Impact Measurement Criteria, which has been updated (impact on the environment). No changes to any risks have arisen from this change given consideration on climate related impacts have already been considered through the Fund's approach to risk.

### **Recommendation**

15. The Local Pension Board is asked to note the report.

### **Equality Implications**

16. There are no equality implications arising from the recommendations in this report.

### **Human Rights Implications**

17. There are no human rights implications arising from this report.

### **Background Papers**

None

### **Appendix**

Appendix A – Risk Register

Appendix B – Risk Scoring Matrix and Criteria

### **Officers to Contact**

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning

Tel: 0116 305 7066

Email: [Simone.Hines@leics.gov.uk](mailto:Simone.Hines@leics.gov.uk)

Ian Howe, Pensions Manager

Tel: 0116 305 6945

Email: [Ian.Howe@leics.gov.uk](mailto:Ian.Howe@leics.gov.uk)

This page is intentionally left blank