



LOCAL PENSION BOARD – 29 APRIL 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT ARRANGEMENTS (INCLUDING INTERNAL AUDIT WORK CONDUCTED DURING 2025-26 AND THE INTERNAL AUDIT PLAN 2026-27)

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board (the Board) about:
 - a. the internal audit arrangements for the Leicestershire County Council Pension Fund (the Fund) and LGPS Central Limited.
 - b. to summarise the outcomes of audits conducted during 2025-26 and outline the internal audit plan for 2026-27.
 - c. Implementation of the Global Internal Audit Standards in the UK Public Sector or the GIAS UK (Public Sector).

Background

2. The Terms of Reference for the Board record that it shall, '*...assist (Leicestershire) County Council (the Council), as administering authority, in ensuring the effective and efficient governance and administration of the (Local Government Pension) Scheme*'.
3. The Council is required to make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Council's Director of Corporate Resources who undertakes the role and responsibilities of the Fund's Treasurer (the Treasurer).
4. The Council's Financial Procedure Rules apply to the administration of the Fund and specifically rule 4F (15) which places responsibility on the Director of Corporate Resources for arranging a continuous internal audit of the County Council's financial management arrangements. This responsibility is derived from the Local Government Act 1972 and the Accounts and Audit Regulations 2015. Leicestershire County Council Internal Audit Service (LCCIAS) managed by the Head of Internal Audit and Assurance Service (HoIAS), provides the internal audit function to the Fund.
5. The Board's constituted responsibility for ensuring effective and efficient governance, allows for reporting plans for, and the results of internal audit activity to the Fund's designated governing body.

The Internal Audit Function

6. From 1 April 2025, public sector internal audit teams adopted new internal audit standards. These combine the GIAS with CIPFA's 'Application Note', which essentially brings together the GIAS and specific requirements for the UK public sector. Together, they form the 'GIAS UK (public sector)'. These replace the former Public Sector Internal Audit Standards (PSIAS).
7. The GIAS UK (public sector) requires the development and maintenance of three important governance documents, all of which have been approved by the Council's Corporate Governance Committee (the Committee), as follows:
 - a. An Internal Audit Charter (the Charter). This is an established component of internal audit standards. It is a formal document defining the audit activity's mandate i.e. its purpose, authority, and responsibilities. It sets the function's position within the organisation, reporting lines, and confirms the Committee's responsibilities, the HoIAS role in managing the function, and the scope of services provided. Within English local government, the mandate for internal audit derives from statute i.e. the Accounts and Audit Regulations 2015. A revised Charter was approved by the Committee at its meeting on 24 November 2025.
 - b. A new requirement to self-assess compliance to CIPFA's Code of Practice for the Governance of Internal Audit in Local Government (the Code). This document was approved by the Committee at its meeting on 23 January 2026.
 - c. A new local government requirement for an Internal Audit Strategy (the Strategy). The Strategy was also approved by the Committee at its meeting on 23 January 2026.

Links to the respective governance documents are found in the section 'Background papers' towards the end of this report. These documents apply to the Council's internal audit function as a whole and, as administering authority, the Council's arrangements are relied upon by the Pension Fund. There is no requirement for the Local Pension Board to approve or maintain separate governance documents.

8. Most planned audits are 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. Other planned audits are 'advisory' type, which primarily allow for guidance to be provided to management. These are intended to add value, for example, by commenting on the effectiveness of controls designed before implementing a new system. Unplanned 'investigation' type audits may also be required. Further details are contained in the Charter in the section, 'Scope & Type of Internal Audit Services'.
9. For each audit, Terms of Engagement are agreed with the Treasurer or his representative. After the audit, the Treasurer receives a report containing any findings and recommendations for control improvements and a 'conclusion' on what level of assurance can be given that risks are being managed. There are four

assurance levels: full; substantial; partial; and little. If any recommendations are graded high importance (HI) i.e. denoting either an absence of a key control or evidence that a key control is not being operated and as such the system is open to material risk exposure, this would normally mean that the opinion would be graded as only 'partial' assurance. HI recommendations would be reported to the Local Pensions Committee and would remain in that Committee's domain until the HoIAS was satisfied that corrective action had been implemented. Additionally, because of the County Council's statutory duty to administer the Fund, HI recommendations would be reported at meetings of the Corporate Governance Committee.

10. The Board may choose to ask the HoIAS to explain HI recommendations and especially any slippage beyond agreed dates in implementing actions.

Internal Audit Work Conducted During 2025-26

11. Appendix 1 contains a summary of the work conducted by LCCIAS during 2025-26. The assurance grading was overall positive. There were no HI recommendations. One planned audit (Good Governance Project) was replaced due to changes nationally. This is expected to be rescheduled when regulations have been finalised and is included in the 26/27 programme. It was replaced with 'Checking and Authorisation of Payments.' Final reports for all completed audits were shared with the Fund's External Auditor (Grant Thornton LLP) to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.
12. LCCIAS also co-ordinated the County Council's requirements for the biennial National Fraud Initiative (NFI). The NFI is a mandatory data-matching exercise coordinated by the Public Sector Fraud Authority which seeks to identify potential anomalies and fraud through matching the Council's data sets, for example, payroll, pensions, creditors, employee data (potential conflicts of interest), blue badges, concessionary travel, etc., with those of other mandatory participants, including the Department for Work and Pensions (DWP) deceased persons data.
13. Reports for the latest exercise (2024/25) were released late January 2025. This exercise identified nine cases where pensions were continuing to be paid to deceased persons, totalling an estimated £5,455.01. Given payments are made to over thirty thousand members monthly, totalling around £163m annually, the overpayments initially identified account for a very small percentage, i.e. 0.003% of overall payments made. The overpayments occur when the pension section is not notified that a pensioner has died. This is usually because a pensioner is living alone with no close relatives who were aware that a local authority pension was in payment.

Of the nine cases identified, three were written off, totalling £289.70, with five where amounts were recovered via invoice, or from the spouse entitlement (£3142.63), and one ongoing case (£160.98). Whilst the original figure quoted in NFI reports was £5455.01, investigations undertaken by the Pensions Service found that, for one individual case the actual overpayment was much lower as some payments had been returned since the data had been submitted. This accounted for much of the difference and the total amount in overpayments was actually £3,593.

14. In addition to the biennial NFI exercise, the Pensions Service has continued to subscribe to the six monthly NFI Mortality Screening Service (MSS), where pensions records are checked against DWP's Deceased Persons database. An advantage of the MSS is that the Pension Section can become aware of deaths at an earlier stage in the process. This enables pensions to be suspended at an early point in time which can limit financial risk, for example, of non-recovery of large debts.
15. The Pension Section submitted data for matching against the DWP's Deceased Persons records in June and November 2025. In total, over the two exercises, twenty-four cases were identified where pension payments were continuing to be paid to deceased persons with a total estimated overpayment of £26.9K. Overpayments totalling £334.14 for four cases have been written off, £2,548.88 (two cases) has been recovered from spouse entitlement. Three invoices have been raised for a total of £3,454.56 which currently remain owing. The remaining fifteen cases (Approx. £20.6K) are unresolved and continue to be pursued by the Pension Section. As mentioned earlier, overpayments occur when the pension section is not notified that a pensioner has died. This is usually because a pensioner is living alone with no close relatives who were aware that a local authority pension was in payment.

The next six-monthly exercise takes place in June 2026 with data for the next biennial data matching exercise being submitted in October 2026.

16. As stipulated in the Pension Regulator's Code of Practice, the Board is informed of any changes relating to the risk management and internal controls of the Pension Fund. Whilst the risk register is the responsibility of the Pensions Manager and is maintained and updated by him, LCCIAS continues to review and comment on any updates.
17. Regarding the internal audit arrangements for LGPS Central Limited, Partner Fund Internal Audit functions decided to work collaboratively to develop a Pensions Assurance Framework around key risk areas. A four-year cyclical programme of audits was developed outlining work to be undertaken by each Partner Fund Internal Audit function to ensure fairness and to ensure the cost of auditing the Pensions Pool is spread equally across the Pension Funds over a four-year period. Ongoing collaborative work with partner fund internal auditors, continues with Leicestershire staff providing feedback, as part of the wider Internal Audit Working Group (IAWG).
18. The first four-year cycle of agreed internal audits (2018-23) was completed and a revised four-year plan of audit work from 2023-28 was agreed – see Appendix 3. However, the future plan for audits and indeed the role of the IAWG are yet to be discussed considering the Government's Fit for the Future programme. The 2025/26 audits were assigned to colleagues at Worcestershire County Council (Investments), and Nottinghamshire County Council (Governance). The Governance report has been completed, and a draft report is currently with the Practitioners Advisory Forum (PAF) for comments. The work undertaken included a review of the arrangements for Project Compass Governance by LGPS Central. The Government's Fit for the Future (FFTF) programme has transferred significant new

responsibilities to Pool companies with tight deadlines. LGPS Central has created a Project Compass to implement the changes required. Based on the draft report, reasonable assurance has been given with six recommendations made. No work has been completed on the Investments audit, partly due to the changes required as part of the Government's FFTF programme which has transferred significant new responsibilities to Pool companies. The worth of potential audit work that may be undertaken is due to be discussed further at the next Practitioners Advisory Forum (PAF).

19. One of the roles of the IAWG is to review the AAF 01/20 Control Report (Type 2). This is an Assurance Report on Internal Controls of Service Organisations made available to Third Parties. For the period 1 April 2024 to 31 March 2025, a Type 2 was produced for Investment Management, Private Markets and Related Information Technology, with a Type 1 produced for Property Investment Management and related Information Technology. This was because 2024/25 was the first year that Property Investment Management fell within the scope of the AAF 01/20 for LGPS Central. Reasonable assurance was given by the Independent Service Auditor for both reports.

Note:

- Type 1 report – Provides a report of procedures/controls an organisation has put in place at a point in time.
- Type 2 report – Provides evidence of how an organisation operated its controls over a set period, for example, a year.

20. Both reports were reviewed by the IAWG with queries/clarifications sought via LGPS Central. A follow up meeting was held between IAWG representatives from Staffordshire CC and the Chief Legal, Compliance, and Risk Officer at LGPS Central Limited, where satisfactory explanations were provided for the queries raised on testing undertaken. These have been circulated to all members of the IAWG.

Overall performance against 2025-26 internal audit plan

21. The table below shows planned against actual performance both in terms of number of audits and days allocated.

	Audits	Complete @ 31/3/26	Incomplete @ 31/3/26	Plan days	Actual days	Diff
Carried Forward	2	2	0	8.5	11.7	+3.2
Planned (Includes Replacement)	8	8	0	63.0	67.1	+4.1
Advisory	2	2	0	9.0	8.2	-0.8
Client management	1	1	0	8.0	9.0	+1
Contingency	n/a	n/a	n/a	1.5	0	-1.5
Total	13	13	0	90.0	96	+6

22. The total charge to the Fund for all internal audit work undertaken during 2025/26 was £29,343.

The Internal Audit Plan 2026-27

23. Appendix 2 contains a summary of audits planned during 2026-27. To compile the plan, the HoIAS held discussions with the Fund Treasurer and the Pensions Manager. Risk registers were also reviewed as part of the process. 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.
24. The final part of the plan is client management and includes the HoIAS duties of planning, reporting and attending the Board.
25. The cost of the planned 90 days of internal audit work is charged to the administration costs of the Fund and is likely to be in the region of £29K to £31k.

Recommendation

26. The Board is asked to note the report.

Equality and Human Rights Implications

Nothing specific

Background papers

Reports to Corporate Governance Committee

24 November 2025 – Draft Internal Audit Charter

<https://democracy.leics.gov.uk/documents/s193163/DRAFT%20Internal%20Audit%20Charter%20-%20November%202025.pdf>

<https://democracy.leics.gov.uk/documents/s193164/Appendix%201%20-%20Draft%20Internal%20Audit%20Charter%20-%20November%202025%20-%20final.pdf>

23 January 2026 – GIAS UK (public sector) – Governance Documents

<https://democracy.leics.gov.uk/documents/s194127/Global%20Internal%20Audit%20Standards%20in%20the%20UK%20Public%20Sector%20-%20Governance%20Documents.pdf>

<https://democracy.leics.gov.uk/documents/s194128/Appendix%201%20-%20Provisional%20self%20assessment%20against%20CIPFA%20CoP%20for%20the%20Governance%20of%20IA%20in%20LG.pdf>

<https://democracy.leics.gov.uk/documents/s194129/Appendix%202%20-%20Draft%20IA%20Strategy.pdf>

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Appendices

Appendix 1 - Internal Audit Work Conducted in 2025-26

Appendix 2 - Internal Audit Plan 2026-27

Appendix 3 - Cyclical Programme of Collective Internal Audit Work (2023-2027)

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