



LGPS Central Joint Committee

Friday 14 February 2020

Item 7: Assurance Framework Update

Report of the Practitioner's Advisory Forum

1. Purpose of the report

1.1 This report updates the Joint Committee on ongoing work commissioned by the Practitioner's Advisory Forum (PAF) from the Internal Audit Working Group regarding the assurance framework in relation to delivering pooling.

2. Background

2.1 At its meeting in June 2019, the Joint Committee received a presentation from the Internal Audit Working Group on the Assurance Framework developed by the partner funds with input from LGPS Central Ltd.

2.2 The Assurance Framework provides a co-ordinated approach to enable the Joint Committee, individual partner funds, and their respective external auditors to be satisfied on the standards of control operating across the pool. Assurance is achieved through a programme of individual audits, collective audits and assurance reporting.

2.3 The first annual governance review under the Assurance Framework has been completed. The audit was led by Staffordshire CC's Internal Audit team with active engagement from partner funds and LGPS Central Ltd.

2.4 Further assurance framework audits are planned and will be reported to Joint Committee in due course.

3. Report Content

3.1 The audit consisted of a high-level review to provide assurance over those aspects of the LGPS Central Pool governance framework and financial reporting processes that are of 'collective' relevance to all Partner Funds of the Pool.

3.2 The audit also reviewed arrangements to ensure compliance with Government legislation and guidance regarding pooling criteria.

3.3 The team tested the effectiveness of a number of key controls. Controls are classified as either, Adequate, Partial Weakness or Weak and Appendix 1 shows in summary form the control objectives examined and the audit findings. Joint Committee will wish to note that of the 36 key controls examined, none were assessed as weak, four assessed as having a partial weakness and 32 were



assessed as adequate. (NB the term adequate means that Internal Audit was able to offer adequate assurances as most of the areas reviewed were found to be adequately controlled and generally risks were well managed).

3.4 In relation to the control areas assessed as partial, the audit made a number of recommendations. These are summarised in Appendix 2 with an update on actions already completed by PAF or in progress.

4. Recommendation

4.1 The Joint Committee is asked to note:

- a) the positive assurance provided by the initial annual governance audit and the progress on delivering the recommended actions; and
- b) that the outcome of further assurance audits will be reported to Joint Committee



Appendix 1 Summary - Control Objective Evaluation Outcome

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
LGPS Central Pool governance arrangements (including arrangements for financial reporting) are established, clearly documented and communicated to all Members and Officers (including Scheme of Delegation).	7	5	2	0
Policies and procedures are in place and have been communicated to relevant Members and Officers.	6	5	1	0
Appropriate training in relation to governance and financial reporting arrangements has been received.	3	2	1	0
The Governance structure is suitable for the needs of the Partner Funds.	3	3	0	0
The LGPS Central Pool meets the four key criteria stipulated by Central Government.	2	2	0	0
LGPS Central is aware of developments in government policies / reform of the Local Government Pension Schemes.	2	2	0	0
Budget for LGPS Central Limited is set and approved annually and assurance is provided that financial management systems are robust.	7	7	0	0
Assumptions regarding costs and savings are robust and supported by appropriate modelling, which is regularly reviewed.	6	6	0	0
TOTALS	36	32	4	0



Appendix 2 Audit Recommendations and Action update

No	Risk Rating	Summary of Weakness	Action Owner	Agreed Action Date	Action Update
1	Medium Priority	The Pool does not have permanent administrative support in place.	PAF	March 2020	Temporary Client Support for Partner Fund has been in place since September 2019. PAF will consider a proposal by 31 January 2020 with a view to having permanent arrangements in place by 31 March 2020
2	Low Priority	Whilst details of decision-making are recorded in the minutes of relevant meetings, the Pool does not have a centralised record of decisions made.	PAF	Immediate for decisions w.e.f. 1/12/19 and 30/6/20 for retrospective decisions	Work is in hand to build the retrospective decision log (back to Dec 2018 – twelve months prior to the audit) and for the Client Support function to maintain this log thereafter
3	Medium Priority	Sufficient details of significant moderate or critical risks raised by the Company's own Internal Auditors (KPMG) were not included in the Company's annual ARCC report distributed to the Pool.	PAF	31 Dec 2019	PAF, through the Client Oversight and Governance Group and Audit Working Group has requested that the company include the detail behind any significant moderate or critical risks including any actions taken to address these risks as part of annual ARCC reporting.
4	Medium Priority	The position of the Pool and the Company in relation to the Teckal control test has yet to be resolved, though it should be noted that this issue is being pursued as a priority by the PAF.	PAF		PAF recognise the need to review the Pool's Governance in respect of the Teckal control test. The Company has commissioned advice from Simmons and Simmons in relation to the interaction of company law, FCA rules and Teckal requirement. Partner Funds also commissioned advice from Squires in relation to Teckal.



No	Risk Rating	Summary of Weakness	Action Owner	Agreed Action Date	Action Update
					Both firms confirm current arrangements provide an effective governance structure to ensure Teckal compliance provided operational practice reflects the roles laid out. It is recommended as good practice to keep the arrangements under regular review.
5	Medium Priority	At the time of audit, the Company had begun to submit breach reporting to COGG. However, whilst breaches are reported to Partner Funds, Internal Audit has noted that there is no requirement or protocol documented in relation to when breaches, incidents of fraud or ongoing investigations within the Company are reported to Partner Funds.	PAF	30 November 2019	The Company presented its Trading Error Policy on the reporting of breaches for consideration on 7 November 2019. Feedback was provided to the Company and a revised Policy incorporating comments is to be circulated by the company.
6	Low Priority	The Pool does not maintain a record of training delivered or attendance. Also, it could not be evidenced that training provided during the course of meetings of the Pool governance groups had been evaluated.	PAF	Immediate for Training w.e.f. 1/12/19 and 30/6/20 for retrospective training	Client Support will develop a Training Log for both Elected Members and Officers. The effectiveness of such training will also be noted.