

## **Pensions Audit Sub-Committee Minutes**

**2pm, Monday 27 September 2022**

### **Present:**

John Anzani (Convener), Councillor Phil Doggart and Councillor Neil Ross.

### **Pension Board Members:**

Nick Chapman and Brian Robertson.

### **Other Attendees:**

Andy McKinnell, Independent Professional Observer, Laura Calder, (Senior Audit Manager, City of Edinburgh Council) and Nick Bennett, Azets Audit Services (External Auditor).

## **1. Quorum**

---

The Clerk confirmed that notice of the meeting had been given and that a quorum was present and the Convener declared the meeting open.

## **2. Order of Business**

---

The Clerk confirmed that there was no change to the order of business.

## **3. Declaration of Interests**

---

### **Decision**

To note there were no declarations of interest.

## **4. Minutes**

---

### **Decision**

To approve the minute of the Pensions Audit Sub-Committee of 7 December 2021 as a correct record.

## **5. Pension Board oversight**

---

The Pension Board representatives confirmed that the Pension Board would provide comment any relevant matters during the meeting.

## **6. Agenda Planning**

---

An overview of proposed reports for Pensions Committee and Pensions Audit Sub-Committee meetings for December 2022 and March 2023 was presented.

### **Decision**

- 1) To note the agenda planning document.
- 2) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.
- 3) To note that the Pensions Committee, on 28 September 2022, would be requested to consider agreeing to convene an additional meeting of the Committee to be held in November 2022 to consider Project Forth in advance of consideration by full Council in December 2022.
- 4) To note that the scheduling of future Audit Sub-Committee meetings would be reviewed in terms of their current proximity to meetings of the Pensions Committee.
- 5) To review the remit and terms of reference of the Audit Sub-Committee and its relationship with internal audit and the City of Edinburgh Council as part of the Council's review of its political management arrangements.
- 6) To include an update on IT security as a regular item of business on future Audit Sub-Committee agendas with IT security information also to be included in the main risk register.
- 7) To note that the Chief Executive Officer would review how risk and IT was reported to various Board and Pensions Committee and provide an update to a future Audit Sub-Committee meeting.

(Reference – report by the Chief Executive Officer, Lothian Pension Fund, submitted.)

## **7. Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund**

---

An overview and details of the Audited Annual Report and Accounts for the year ended 31 March 2022 for Lothian Pension Fund and Scottish Homes Pension Fund was presented to members by the Chief Financial Officer, LPF and the Fund's external auditor, Nick Bennett from Azets Audit Services.

**Tuesday, 27th September, 2022**

Nick Bennett presented the audit findings to members including the audit opinion, key findings on audit risks, audit adjustments and accounting systems and internal controls.

Azets Audit Services had provided an unqualified opinion on the financial statements and other prescribed matters for Lothian Pension Fund and Scottish Homes Pension Fund and had also confirmed that there were no matters on which it was required to report by exception.

Key points within the Audit Report included confirmation that work had been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

### **Decision**

- 1) To note the report by Azets Audit Services “Lothian Pension Funds 2021/22 Annual Audit Report to Members of the Pensions Committee and the Controller of Audit” (at Appendix 1).
- 2) To note the audited Annual Report (and Financial Statements) for the year ended 31 March 2022 for Lothian Pension Fund and Scottish Homes Pension Fund (at Appendix 2).
- 3) To note that the audited financial statements for the year ended 31 March 2022 of both the wholly owned companies, LPFE Limited and LPFI Limited, had been approved by the respective Boards of Directors in July 2022 (at Appendices 3 and 4).
- 4) To note the Letter of Representation (ISA 580) by the Chief Finance Officer, Lothian Pension Fund (at Appendix 5).
- 5) To note the appointment of Audit Scotland as auditor for future years 2022-2027.
- 6) To express recognition and gratitude to Nick Bennett, Partner, Azets Audit Services for his work and that of his team for the audit assurance provided since 2015/16.

(Reference - report by the Chief Finance Officer, Lothian Pension Fund, submitted.)

## **8. Irrecoverable Overpayment of Pensions – Decisions Made Under Delegated Authority**

---

The annual update to members in relation to irrecoverable overpayment of pensions provided a summary for the period of 1 September 2021 to 31 August 2022. The report highlighted overpayments totalling £25,250.20 and set out the efforts to recover the overpayments and the reasons LPF concluded payments were irrecoverable.

### **Decision**

To note that the total value of pension overpayments written off between 1 September 2021 and 31 August 2022 was £25,250.20.

(Reference – report by the Chief Executive Officer, Lothian Pension Fund, submitted.)

## **9. Lothian Pension Fund - Internal Audit Update as at 31 August 2022**

---

Details were provided of the progress of internal audit's (IA) assurance activity on behalf of Lothian Pension Fund performed by the City of Edinburgh Council's internal audit function.

Delivery of the four audits included in the 2021/22 IA annual plan had been completed with the final audit which supported LPF's 2021/22 annual opinion presented to the Pensions Committee on 29 June 2022.

The 2022/23 IA annual plan had been approved by the Pensions Committee in March 2022 and included a focus on Project Forth and information technology. An update to the plan was proposed to reflect the ongoing progress of Project Forth and to enable assurance across a wider range of LPF risks supporting the 2022/23 IA annual opinion.

As at 31 August 2022, LPF had 13 open IA findings (1 high, 4 medium, 8 low) supported by 15 agreed management actions (1 high, 6 medium, 8 low). One high rated finding raised in the cessations audit completed in November 2021 was overdue.

The report detailing the outcomes of the Risk Management review (Effective) was submitted for review and scrutiny.

### **Decision**

- 1) To note the outcomes of the final audit supporting completion of the Lothian Pension Fund 2021/22 internal audit (IA) annual plan and annual opinion.
- 2) To note the proposed update to the 2022/23 IA plan agreed by Committee in March 2022 to reflect ongoing progress with Project Forth.
- 3) To note progress with implementation of agreed management actions to support closure of Lothian Pension Fund IA findings raised.
- 4) To note that an internal audit update paper would be submitted to every Audit Sub-Committee meeting going forward.
- 5) To note that LPF officers would facilitate a training session for members to discuss the Audit Sub-Committee terms of reference, standing orders and delegations.

(References – Pensions Committee 29 June 2022 (item 10); report by the Senior Audit Manager, City of Edinburgh Council, submitted)

## **10. Fraud Prevention**

---

Members were presented with an overview of the work undertaken by LPF to prevent fraud including controls such as LPF's delegations, one off payments processes and bank validation checks. The report also updated members on LPF's participation in initiatives such as the national fraud initiative and the Local Government Association (LGA) National Insurance database.

### **Decision**

To note the report.

(Reference - report by the Chief Executive Officer, Lothian Pension Fund, submitted.)

## **11. Risk Management Summary**

---

In line with the Lothian Pension Fund's (LPF) ongoing risk management procedures, an overview was provided of LPF's risk analysis.

The Risk Management Group continued to meet regularly to assess all elements of the LPF Group's risk framework including the risk appetite, register, overall assurance position and any more granular risks escalation from other sub-groups.

The Chief Risk Officer role had altered and was now a focussed risk and compliance role with governance and legal being the responsibility of the Chief Executive Officer.

### **Decision**

- 1) To note the Quarterly Risk Overview as at 22 August 2022.
- 2) To include expected completion dates against each proposed action in future reports.

(Reference - report by the Chief Risk Officer, Lothian Pension Fund, submitted.)

## **12. Information Security Update**

---

The Sub-Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 1.3 and 6 of Schedule 7(A) of the Act.

An update was provided of progress being made by Lothian Pension fund towards achieving the objectives of its information security objectives

### **Decision**

**Tuesday, 27th September, 2022**

- 1) To note the update on Lothian Pension Fund's progress against its information security objectives.
- 2) To request an update report to the December meeting of the Audit Sub-Committee on all the recommendations from the consultant and actions taken by LPF to address these.

(Reference – report by the Chief Executive Officer, Lothian Pension Fund, submitted)