

Pensions Audit Sub-Committee Minutes

3pm, Tuesday 21 March 2023

Present:

John Anzani (Convener) and Councillor Neil Ross.

Pension Board Member present:

Brian Robertson.

Other Attendees:

Andy McKinnell (Independent Professional Observer), Nick Bennett (External Auditor, Azets) and Laura Calder (Head of Internal Audit, City of Edinburgh Council)

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

There were no declarations of interests from members.

4. Minute

Decision

To approve the minute of the Pensions Audit Sub-Committee of 6 December 2022 as a correct record subject to adjustment of a minor typographical error in the confidential schedule to the minute.

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 June, September and December 2023 was presented.

Decision

- 1) To note the agenda planning document and revisions for the June, September and December 2023 meetings.
- 2) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.
- 3) To note the introduction of the new governance portal.

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

7. Lothian Pension Fund – Internal Audit Update – February 2023

An update was provided on progress of Internal Audit (IA) assurance activity on behalf of Lothian Pension Fund (LPF) carried out by the City of Edinburgh Council's internal audit team.

Delivery of the four audits included in the 2022/23 internal audit annual plan was underway with the two audits completed and a further audit in progress.

A report detailing the outcome of the Third-Party Supplier Management audit was also included for review and scrutiny.

Due to unforeseen absence of key contacts, the Information Security Arrangements audit had been delayed and it was proposed, in the circumstances, that this audit should be deferred to Quarter 1 of the 2023/24 IA Plan.

Internal Audit's opinion was that the three audits due for completion in the 2022/23 IA Plan would be sufficient to provide an annual audit opinion for the year end 31 March 2023.

As at 9 February 2023, LPF had fourteen agreed management actions with one action past the original implementation date.

Decision

- 1) To note the progress of delivery with the 2022/23 Lothian Pension Fund internal audit plan including the outcomes of the recent Third-Party Supplier Management Audit.
- 2) To note progress with delivery of the Information Governance Audit currently underway.
- 3) To recommend to the Pensions Committee approval of a request to defer the Information Security Arrangements Audit to the 2023/24 Internal Audit Plan.
- 4) To note that the draft 2023/24 Lothian Pension Fund annual internal audit plan was presented to the Sub-Committee for review and approval in a separate paper at this meeting.

- 5) To progress with implementation of agreed management actions from previously completed internal audits.

(References – Pensions Audit Sub-Committee 9 December 2022 (item 7); report by the Head of Internal Audit, City of Edinburgh Council, submitted)

8. Lothian Pension Fund – Proposed Internal Audit Plan for 2023/24

The proposed Internal Audit (IA) Plan for the period 1 April 2023 to 31 March 2024 was submitted. The audit universe had been expanded for 2023/24 to include the LPF Group structure and to provide assurance for the LPFI and LPFE boards where appropriate. The plan would also include ongoing IA follow-up on implementation of management actions arising from previous internal audit reports.

In April 2020, the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended introduction of standard definitions for audit report opinions to support consistency across public body organisation. It was proposed that the standard CIPFA definitions were adopted to apply for LPF internal audit reports from 2023/2024 onwards.

Decision

- 1) To recommend to the Pensions Committee approval of the proposed Lothian Pension Fund 2023/24 Internal Audit Plan.
- 2) To note the expansion of the audit universe to include LPFE and LPFI enabling provision of a single integrated audit programme.
- 3) To recommend to the Pensions Committee approval of proposals to adopt the CIPFA standard definitions for audit report overall opinions from 2023/24 onwards.

(References – Pensions Audit Sub-Committee 27 September 2022 (item 9); report by the Senior Audit Manager, City of Edinburgh Council, submitted)

9. External Audit Annual Plan 2022/23 by Azets

Audit Scotland had appointed Azets as the external auditor to Lothian Pension Fund and Scottish Homes Pension Fund for the period 2022/23 to 2026/27.

The external auditor presented the planned programme of work to support the statutory audit for 2022/23. The core elements of the work included:

- Audits of the 2022/23 annual report accounts
- Consideration of the wider scope areas of public audit work
- Consideration of the Funds' arrangements to secure Best Value
- Assessment of the Funds' participation in the National Fraud Initiative
- Any other work requested by Audit Scotland

Decision

- 1) To note the planned programme of work to support the statutory audit 2022/23 by Azets set out in Appendix 1 of the report by the Chief Finance Officer, Lothian Pension Fund.
- 2) To note that progress against the Lothian Pension Fund External Audit Annual Plan 2022-23 would be reported to future meetings of the Pensions Audit Sub-Committee and the Pensions Committee.

(References – report by the Chief Finance Officer, Lothian Pension Fund, submitted)

10. 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 and statement of risk appetite.

A detailed paper and operating plan had been created to support the proposed changes to LPF's existing risk management arrangements.

A key part of the operating plan would be an evaluation of the effectiveness of changes as they were introduced and embedded through observation, feedback and testing with regular updates on the programme being provided to the Sub-Committee.

Decision

- 1) To note the LPF Group's risk register and quarterly risk overview.
- 2) To note that exploratory work and analysis had commenced regarding the creation of a single integrated audit programme for Lothian Pension Fund.
- 3) To note, however, that due to governance complexities and ambiguities with existing arrangements, no changes would be made in the 2023/24 cycle arrangements.
- 4) To note that the proposed scope of the City of Edinburgh Council's Internal Audit Plan for the next year would be extended to provide coverage to LPFE and LPFI.
- 5) To welcome the improved integration, oversight and collaboration between the LPF staff team and the internal and external audit teams.

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