

Pensions Audit Sub-Committee Minutes

2pm, Monday 19 June 2023

Present:

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

Pension Board Members present:

Jim Anderson and Nick Chapman.

Other Attendees:

Andy McKinnell, Independent Professional Observer, Laura Calder, Head of Internal Audit, City of Edinburgh Council and Leslie Robb, Non-Executive Director, LPFE and LPFI (observer).

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 21 March 2023 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 the Pensions Committee and Pensions Audit Sub-Committee meetings for September and December 2023 and March 2024 was presented.

Decision

- 1) To note the agenda planning document and revisions for the September and December 2023 and March 2024 meetings.
- 2) To note that an additional meeting of the Pensions Audit Sub-Committee would be held on Tuesday 19 March 2024 if required.
- 3) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.

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

7. LPF Unaudited Annual Report (and Financial Statements) 2023

The unaudited Annual Report (and Financial Statements) for the year ended 31 March 2023 for Lothian Pension Fund and Scottish Homes Pension Fund was presented.

Despite volatile markets, the Lothian Pension Fund had made a small positive return for the year resulting in Lothian Pension Fund Group net asset valuation as at 31 March 2023 being broadly in line with last year £9,700.6m (2022 - £9,605.2m).

Scottish Homes Pension Fund had a mature membership profile with its investment objective to match the cash flow from gilt income and redemption payments as closely as possible with the expected liability payments of the Fund. Over the year the Fund's assets and liabilities had declined but the funding level had remained consistent with last year.

Decision

- 1) To note the unaudited Annual Report (and Financial Statements) for the year ended 31 March 2023 for Lothian Pension Fund and Scottish Homes Pension Fund.
- 2) To note that the unaudited Annual Report (and Financial Statements) for the year ended 31 March 2023 would be submitted to the Auditor, Azets Audit Services Ltd by the due date of 30 June 2023.
- 3) To note that, at the time of writing, final proof reading of the report was still underway and therefore potential corrections and any minor amendments would be completed prior to release to the auditor and publication on the website.
- 4) To consider including a reference to the Local Authority Pension Fund Forum in the investment engagement section of the accounts.
- 5) To include in the accounts a comment that the Fund had introduced an honorarium for the two external Pensions Committee members.

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

8. Lothian Pension Fund - Internal Audit Annual Report and Opinion for the Year Ended 31 March 2023

Information was provided on the work completed by the City of Edinburgh Council's internal audit function for the Lothian Pension Fund for the year 1 April 2022 to 31 March 2023.

Internal Audit's annual opinion on the adequacy and effectiveness of Lothian Pension Fund's governance, risk and control frameworks for the year ended 31 March 2023 was also presented and would be used to inform the Annual Governance Statement.

The annual opinion was based on the outcomes of the three audits completed during 2022/23, follow-up action for previously completed audits and an overall understanding of issues impacting Lothian Pension Fund.

As agreed by the Pensions Committee in March 2023, the audit universe had been expanded from 2023/24 onwards to enable internal audit to provide assurance across the Lothian Pension Fund Group with inclusion of both LPFI and LPFE.

Decision

To note the internal audit annual report and opinion for Lothian Pension Fund for the year ended 31 March 2023.

(References – Pensions Committee 23 March 2023 (item 8); report by the Head of Internal Audit, City of Edinburgh Council, submitted)

9. Lothian Pension Fund - Internal Audit Update – June 2023

Information was submitted on the progress of internal audit's assurance activity on behalf of Lothian pension Fund overseen by the City of Edinburgh Council's internal audit function for the period from 10 February 2023 to 1 May 2023.

The three audits included in the 2023/24 internal audit annual plan agreed by the Pensions Committee in September 2022 were now complete. A report detailing the outcomes of the information governance audit recently completed was also included for review and scrutiny.

Planning for the 2023/24 internal audit plan had started with an indicative timetable agreed for completing the five audits within the plan.

As at 27 April 2023, Lothian Pension Fund had 28 management actions with 3 actions passed the original implementation date. A total of 8 actions had been closed since February and 22 new actions raised following completion of audits.

The internal audit annual activity report and opinion which provided an assessment of the overall effectiveness of Lothian Pension Fund's governance, risk and control framework for 2022/23 was considered by members under item 8 above.

Decision

- 1) To note finalisation of the 2022/23 Lothian Pension Fund internal audit plan including the outcomes of the recent Information Governance audit.

- 2) To note planning for the 2023/24 Lothian Pension Fund internal audit plan had commenced with an indicative timetable agreed for completing the five audits within the plan.
- 3) To note progress with implementation of agreed management actions from previously completed internal audits.
- 4) To note the internal audit annual activity report and opinion which provided an assessment of the overall effectiveness of the Lothian Pension Fund's governance, risk, and control framework as detailed in item 8 above.

(Reference – report by the Head of Internal Audit, City of Edinburgh Council, submitted)

10. Risk and Compliance Update

An overview was submitted of monitoring and assurance undertaken in Lothian Pension Fund since the previous update to members in March 2023, noting any material observations or exceptions.

A summary was also provided of the work being undertaken to enhance current risk management arrangements.

Decision

- 1) To note the Lothian Pension Fund Group's risk register and quarterly risk overview.
- 2) To note the ongoing strategy and development around the Group's risk management framework.

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

11. IT Information Security Update

The Sub-Committee agreed, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following item of business on the ground that it would involve the disclosure of exempt information as defined in Paragraphs 1.3 and 6 of Part 1 of Schedule 7A of the Act.

An update was provided on progress with Lothian Pension Fund's information security policies and standards which set out the approach across key areas and how these standards would be achieved.

Decision

To note the update on Lothian Pension Fund's progress against its information security objectives.

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