

Pensions Audit Sub-Committee Minutes

2pm, Tuesday 26 September 2023

Present:

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

Pension Board Member:

Tom Howorth.

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 19 June 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 and Governance Update

An overview of proposed reports for future meetings of the Pensions Committee and Pensions Audit Sub-Committee and the annual cycle was presented.

An update was also provided on the appointment process which had been undertaken during July and August for an Independent Professional Observer for Lothian Pension Fund.

Information was also submitted updating members on the LPFE and LPFI Boards' succession planning considerations with the current Chair of both Boards retiring on 30 September 2023. Members were asked to note the appointments of Dr Deborah Smart, Executive Director of Corporate Services, City of Edinburgh Council as chair of LPFE and Leslie Robb, Independent Non-Executive Director as Chair of LPFI. Nareen Turnbull, Service Director, Human Resources, City of Edinburgh Council would also become a director of LPFE with effect from 1 October 2023.

Decision

- 1) To note the agenda planning document.
- 2) To agree to close the actions set out in the tracker at appendix 2.
- 3) To note the recruitment of the new Independent Professional Observer subject to agreement of mutually acceptable terms and conditions for the provision of the Independent Professional Observer Service for Lothian Pension Fund.
- 4) To note the Lothian Pension Fund governance update regarding the changes in membership of the LPFE and LPFI Boards.
- 5) To note the significant contribution made by Hugh Dunn, Chair of LPFE and LPFI to the work of Lothian Pension Fund and to extend the Sub-Committee's best wishes for his retirement.
- 6) To note the significant contribution made by Andy McKinnell, Independent Professional Observer to the work of Lothian Pension Fund.
- 7) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.
- 8) To note that a review of the Shareholder Agreement with City of Edinburgh Council was planned for 2024.

(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 2023 for Lothian Pension Fund and Scottish Homes Pension Fund was presented to members by the Chief Finance Officer, Lothian Pension Fund and the Fund's external auditor, Nick Bennett from Azets Audit Services.

The external auditor presented the audit findings to members including the audit opinion, key findings on audit risks, audit adjustments and accounting systems and internal controls.

Members were pleased to note that an unqualified opinion had been provided on the financial statements and other prescribed matters for Lothian Pension Fund and Scottish Homes Pension Fund.

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.

Some minor disclosure and presentational adjustments had been identified during the audit and these had been reflected in the final set of financial statements as set out in appendix 2 of the report.

Decision

- 1) To note the report by Azets Audit Services “Lothian Pension Funds 2022/23 Annual Audit Report to Members of the Pensions Committee and the Controller of Audit” set out at Appendix 1.
- 2) To note the audited Annual Report for the year ended 31 March 2023 for the Lothian Pension Fund and the Scottish Homes Pension Fund, set out at Appendix 2.
- 3) To note that the audited financial statements for the year ended 31 March 2023 of both the wholly owned companies, LPFE Limited and LPFI Limited, had been approved by the respective Boards of Directors in June 2023 set out in the statements at Appendices 3 and 4.
- 4) To note the Letter of Representation (ISA 580) by the Chief Finance Officer, Lothian Pension Fund set out in Appendix 5.
- 5) To record the Sub-Committee’s thanks to the Lothian Pension Fund team and the external auditor for their work in ensuring that the audit had been carried out smoothly and efficiently.

(References – Pensions Audit Sub-Committee 19 June 2023 (item 7); report by the Chief Finance Officer, Lothian Pension Fund, submitted.)

8. Internal Audit Update – August 2023

Details were reported of progress of Internal Audit’s (IA) assurance activity on behalf of Lothian Pension Fund overseen by the City of Edinburgh Council’s IA function across the period from 2 May to 25 August 2023.

Good progress was being made with delivery of the 2023/24 annual plan with the People Processes audit completed and three further audits underway. The completed People Processes audit was set out at appendix 1 for review and scrutiny.

As at 10 August 2023, Lothian Pension Fund had 22 open management actions with 3 actions past the original implementation date. A total of 5 actions had been closed since May and 14 new actions raised following completion of audits.

Decision

- 1) To note progress with delivery of the 2023/24 Lothian Pension Fund internal audit plan with one audit complete and a further three in progress.

- 2) To note progress with implementation of agreed management actions from previously completed internal audits.
- 3) To note that the Head of Internal Audit would report the internal audit position as it related to the LPFE and LPFI Boards to both Boards at the appropriate time.

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

9. Fraud Prevention

Members were presented with an overview of the work undertaken by Lothian Pension Fund 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.

There had been no cases of fraud (member, employer, supplier or colleague) identified in this period.

Decision

To note the report.

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

10. Risk and Compliance 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 overview was provided of monitoring and assurance undertaken by Lothian Pensions Fund noting any material observations or exceptions together with a summary of the work to enhance current risk management arrangements.

Decision

Detailed in the confidential schedule, signed by the Convener with reference to this minute.

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