



Pensions Committee

2pm, Wednesday, 25 September 2024

Lothian Pension Fund – Internal Audit Report: Pensions Committee Governance and Operational Effectiveness

Item number 6.2

1. Recommendations

The Pensions Committee is requested to:

- 1.1 Review and agree the outcomes of the recently completed Pensions Committee Governance and Operational Effectiveness Internal Audit review.

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2. Executive Summary

- 2.1 This report provides the Committee with outcomes on the Pensions Committee Governance and Operational Effectiveness Internal Audit review completed in September 2024.
- 2.2 The Internal Audit Report provides detailed findings, recommendations and agreed actions to address the issues raised together with proposed implementation dates.

3. Background

- 3.1 The [2024/25 LPF IA plan](#) approved by the Pensions Committee in March 2024 included an Internal Audit review of Pensions Committee Governance and Operational Effectiveness.
- 3.2 The agreed scope of the audit was to consider governance and operational effectiveness in line with the delegated functions set out in the Pensions Committee Terms of Reference and relevant regulations as well as consideration of fiduciary duties. The scope also considered member skills, knowledge, and training.

4. Main Report

- 4.1 The Internal Audit of Pensions Committee Governance & Operational Effectiveness was completed between June and August 2024. Audit fieldwork included a review of relevant documentation including policies and records and, a review of papers and minutes for Pensions Committee meetings held between June 2023 and March 2024.
- 4.2 In addition, a survey was issued to 21 regular Committee attendees to gather feedback on a range of areas related to the operation and duties of the Committee.
- 4.3 The overall assurance rating for the review is **Reasonable Assurance**, with 1 High, 3 Medium and 1 Low rated findings raised.
- 4.4 The review concluded that there is generally a sound system of control in place to support Pensions Committee Governance & Operational Effectiveness, however the following areas of improvement, which if not addressed, may put objectives at risk were identified:
- implementing an annual review cycle for the Committee's Procedural Standing Orders

- ensuring training is sufficiently structured and comprehensive, as well as aligned to a review and analysis of individual members skills, experience and training needs
 - establishing effective working relationships and encouraging full interaction to ensure a focus on collective priorities
 - reviewing the management of meetings including time allocation, volume of papers and adherence to standing orders particularly the use of motions and amendments
 - establishing mechanisms to regularly evaluate, monitor and report on committee performance as well as demonstrating a commitment to continuous improvement.
- 4.5 A report providing detailed findings, recommendations and agreed actions to address the issues raised together with proposed implementation dates is included at Appendix 1 for the Committee to review and agree.
- 4.6 Progress with actions will be reported quarterly to the Pensions Audit Sub-Committee and referred to the Pensions Committee for review.

5. Financial impact

- 5.1 Failure to address the risks associated with audit findings a timely manner may have financial impacts which are not yet measurable.

6. Stakeholder/Regulatory Impact

- 6.1 Audit recommendations are raised when control gaps or deficiencies are identified during audits. If management actions are not implemented, LPF will be exposed to the risks associated with the key processes, including the potential risk of non-compliance with applicable regulations.

7. Background reading/external references

- 7.1 [Lothian Pension Fund – 2024/25 Internal Audit Annual Plan – March 2024](#)

8. Appendices

- Appendix 1 Internal Audit Report: Pensions Committee Governance & Operational Effectiveness