

# AUDIT AND RISK COMMITTEE

## MINUTES

<b>Date:</b>	Tuesday 13 June 2023	
<b>Time:</b>	10:00	
<b>Location:</b>	Teams Microsoft conference call	
<b>Present:</b>	Tamlyn Nall Debbie Rees Clare Scott Christina Thompson	Committee Member Committee Member Committee Member Committee Member (“ <b>Chair</b> ”)
<b>In Attendance:</b>	Mark Anderson Robert Branagh Michelle King ToR Jason McKenzie Mark Norquay Rebecca Pilkington John Preston	Head of Compliance, Risk and Pensions Chief Executive Officer (“ <b>CEO</b> ”) Finance Director and Section 151 Officer Interim Governance Manager (Minutes) Interim Funding and Investment Director Consultant, LCP LLP Chair, LPFA Board (Observer)
<b>External Auditors:</b>	Matt Dean Ciaran McLaughlin Ibukun Oluwasegun	Director, Grant Thornton UK LLP (“ <b>External Auditor</b> ”) Director, Grant Thornton UK LLP (“ <b>External Auditor</b> ”) Manager, Grant Thornton UK LLP (“ <b>External Auditor</b> ”)
<b>Internal Auditors:</b>	Aaron Bendasiuk Annemaree Gerlich	Senior Manager, PricewaterhouseCoopers LLP (“ <b>Internal Auditor</b> ”) Manager, PricewaterhouseCoopers LLP (“ <b>Internal Auditor</b> ”)

*The meeting was conducted via Microsoft teams conference call. The LPFA Constitutional Document permits electronic participation and decision-making for Committees (Section C: Standing Orders, (9) (e)).*

### 1. CLOSED SESSION OF THE EXTERNAL AUDITORS AND COMMITTEE MEMBERS

In accordance with paragraph 6.6.5 of the Committee’s terms of reference, the ARC held a closed session with the External Auditor without LPFA officers present.

*[LPFA Officers joined the meeting at 10.25 am]*

### 2. AC749 – INTRODUCTORY MATTERS

#### **Submission**

To present the minutes and action points of the previous ARC meeting held on 20 February 2023.

#### **Discussion**

##### Apologies

2.1 No apologies for absence were received.

2.2 The Chair confirmed that a quorum was present, and the meeting was opened.

##### Declarations of interest

2.3 No new declarations of interest were noted.

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Decisions made by email

2.4 It was confirmed that the Committee had not taken any decisions by email since the previous meeting.

Minutes and actions

2.5 The Committee considered the minutes of the previous meeting held on 20 February 2023.

2.6 The Committee confirmed that it was satisfied with the status of all of the action points from previous meetings, all of which had been completed.

The Committee **RESOLVED** to:

1. **Approve** the minutes of the meeting held on 20 February 2023, and agree for these to be signed as a true and accurate record;
2. **Approve** the signing of the minutes; and
3. **Note** the progress made on the action points and confirm that the Committee is content with the status of the actions from previous meetings.

**3. AC750 – INTERNAL AUDIT**

**Submission**

To provide ARC with an update on the progress of the internal audit and follow up actions relevant to the progression of the 2022/23 internal audit process and open items from the previous period.

**Discussion**

- 3.1 The Key Financial Controls Review paper was taken as read.
- 3.2 The Finance Director introduced the Internal Audit Status and Update Report, summarising the status of tasks against the internal audit plans. The IT Disaster Recovery review was currently on hold due to confirmation / approval of audit access and timelines, whilst work was due to commence on the Administration and Benefit calculation review. The internal auditors are progressing the IT Disaster Recovery activity and are expected to complete by next meeting.
- 3.3 The Committee noted the Financial Controls activity undertaken by the internal auditors is complete and the actions arising are not yet due.
- 3.4 The Committee noted work continues on the two outstanding actions remaining from the Benefit activity relating to LPPA Digital ID and Banking.
- 3.5 The Finance Director presented the Internal Audit Annual Report 2022/23. The Committee noted the improved opinion for the authority moving to Reasonable Assurance / Moderate Assurance. The Committee recognised the efforts of the internal team in this process, particularly in closing off actions from previous years reports.
- 3.6 The Committee discussed the 2023 audit plan, noting the due benefit calculation review is at the scoping stage to identify the key risk and the value of overpayment processes, how this arises, including considerations to legislative and regulatory changes, and how to best manage these to avoid future benefit overpayments.
- 3.7 The Committee discussed the Succession Planning risk and agreed for it to remain. The Committee asks to remove the integrated risk management under governance, as this is no longer planned for 2023-24.  
**ACTION: M King**
- 3.8 The Committee acknowledged that the internal audit required significant input from LPP and requested to be notified if LPFA were unable to obtain the necessary information. The CEO confirmed there had been a greater collaborative approach as part of this audit and LPFA had been given single points of contact which

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had helped make the process simpler. The Committee asked for an update at the next meeting. **ACTION: R Branagh**

The Committee **RESOLVED** to:

1. **Note** the Internal Audit Status and Update Report; and
2. **Approve** the Annual Audit Opinion:

Reasonable assurance / moderate assurance

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness and/or non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

#### **4. AC751 – EXTERNAL AUDIT**

##### **Submission**

To provide the Annual Auditors Report 2021/22 and External Audit Plan for the year ending 31 March 2023.

##### **Discussion**

- 4.1 The Finance Director introduced the Annual Auditors report, which was taken as read. The External Auditor reported that no significant weaknesses had been identified and the External Auditor was comfortable that actions taken since the previous exercise had reduced the risks.
- 4.2 The External Auditor reported that whilst LPP has undertaken the journey into full AAF, this was being completed internally. It would provide greater assurance if it was undertaken by an independent third party.
- 4.3 The draft accounts weren't published by the 31 May deadline, which the Committee discussed. The Committee recognised that this is a difficult timetable, taking into account factors such as needing to incorporate accounts from subsidiaries.
- 4.4 The Finance Director confirmed that there were no penalties for missing this deadline and the External Auditor endorsed both LPFA's action and the reasoning, confirming all appropriate actions were taken (such as posting notice on the LPFA website).
- 4.5 The Committee queried whether the audit process needed to commence earlier to ensure that the 31 May deadline was met. The CEO confirmed that the finance team had done this in recent years, but that there were also practical difficulties in moving the start date too far forward. The CEO offered to commission a training session on the accounts for the Committee and wider Board if helpful. The Committee agreed this would be useful and agreed the invite should be extended to the Board. **ACTION: M King**
- 4.6 The Committee discussed the changes in the executive team at LPP. The CEO confirmed there were currently no concerns over resources and LPFA were comfortable there was sufficient resilience in the current team and the Finance Director would continue to manage this relationship.
- 4.7 The External Audit Plan was presented to ARC. It was noted that there were no changes to the significant risks and that two auditing standards had been significantly updated this year, and the benchmark for the gross assets have been revised, and gross expenditure in the funds will be closely monitored.

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- 4.8 The External Auditor reported that a planning visit had been undertaken in March 2023, and it was expected the year end audit will take place between July and October, with the accounts being finalised by mid-October 2023.
- 4.9 The External Auditor advised that a document titled 'Informing Risks' was omitted from the meeting pack and will be circulated with the July Board papers, and the External Auditor offered to address any comments from the Committee by email. **ACTION: J McKenzie**

The Committee **RESOLVED** to **approve** both the External Audit Plan 2022/23 and the Annual Auditors Report 2021/22.

**5. AC752 – FINANCIAL REPORT**

**Submission**

To present an update on key activities undertaken since the last meeting.

**Discussion**

- 5.1 The Finance Director introduced the report and the Committee noted the summary of activities since the last meeting of 20 February 2023.
- 5.2 The Committee discussed the preparations for appointment of auditor to commence in 2027/28, and the Finance Director informed the Committee initial relationship building with Ernst & Young LLP (EY) has commenced and their onboarding process is expected to reach Board members to identify any existing relationships between LPFA and EY which may impact on their actual or perceived independence from LPFA. The Finance Director advised the fee structure will be provided upon onboarding completion.
- 5.3 The Committee noted that the IAS19 valuation of the unfunded pension benefits which form part of the residual liabilities was received on 6 June 2023. The Finance Director reported that, as part of this process, the underlying data had been improved considerably, which should make future valuations quicker and more efficient.
- 5.4 The Finance Director confirmed that, further to discussions at the last meeting, the Newham Bank Account is now closed and no other linked banking mandates exist.
- 5.5 The Committee queried the impact of the delay in the transition to a direct debit platform, via Civica. The CEO advised this was a new area the LPPA were looking to develop. The current system, which does not have the functionality to offer direct debits remains active and there is no change to current practice or controls. A bespoke interface is being investigated with close management from the Finance Director to ensure a seamless solution for employers. As such there is no additional risk due to a delay in implementing this change, just an enhancement to the quality of business service.
- 5.6 The Finance Director confirmed that the new members of the finance team were embedding well. The Committee noted that for 3 of the 4 members, close down of accounts was a new task, and queried what support and supervision was being given. In response the Committee were advised that the Finance Director was working closely with them, and the higher the risk, the greater supervision and support given. As such the team were becoming more competent and confident, and there were no concerns. The Committee were pleased to hear this.

The Committee **RESOLVED** to note the updates in the Finance Director Report.

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**6. AC753 – TREASURY MANAGEMENT**

**Submission**

To provide details of the investment funds managed by the Greater London Authority (“GLA”) on behalf of LPFA for the period from 1 April 2022 to 31 March 2023.

**Discussion**

- 6.1 The paper was taken as read. The Finance Director confirmed that in future this paper would be presented to the Investment Committee.

The Committee **RESOLVED** to note the updates in the Treasury Management 2022/23 Outturn Report.

**7. AC754 – ARC ANNUAL REPORT & ANNUAL GOVERNANCE STATEMENT**

**Submission**

To present the Audit and Risk Committee’s (ARC’s) annual report for review and recommendation to the Board, prior to publication.

**Discussion**

- 7.1 The CEO introduced the draft report. The Committee noted that due to the meeting timescales, LPFA were presenting the paper to the Committee pending the Chair’s comments. It was noted that comments on the Terms of Reference would be updated following the discussion under Item 8. LPFA were also looking to strengthen the wording in relation to breaches.
- 7.2 The Committee discussed the internal audit and noted that previous annual reports had been explicit in reporting the outcome. The CEO confirmed that the report would be updated to include this. **ACTION: M King**
- 7.3 The Committee agreed to delegate to the CEO and Finance Director to present the final draft to the Board at the July meeting.

The Committee **RESOLVED** to approve the report (subject to agreed changes) for onward consideration by the LPFA Board and subsequent publication.

**8. AC755 – COMPLIANCE AND GOVERNANCE MATTERS**

**Submission**

To present various updates and assurance statements on compliance and governance matters related to the oversight of the Audit and Risk Committee (ARC).

**Discussion**

- 8.1 The Head of Compliance, Risk and Pensions introduced the paper. With reference to the SLA Compliance Certificate (Q4 2022/23) it was reported that there was one exception relating to a breach of the 95% Pension Administration SLA. However, the Committee noted that there had been improvement since the quarter end, with the most recent SLA figure in respect of the period March 2023 to current date being 96%.
- 8.2 The Committee noted the Terms of Reference (ToR) in the pack for approval. The Committee queried if the Board requires ultimate approval. This was generally agreed by the SLT though confirmation will be sought. Pending this, the Committee confirmed that they were content with the ToR wording changes as set out in the pack. **ACTION: M Anderson**
- 8.3 The Head of Compliance, Risk and Pensions confirmed that the Compliance Monitoring Plan and Methodology for 2023/24 would be updated to correspond with the risk register changes. The Committee noted that work would be undertaken later in the year with regards to ensuring that the two documents and

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any processes were co-ordinated with no duplication. The Committee drew attention to the typo on pg158 for rectification. **ACTION: M Anderson.**

- 8.4 A Committee queried the overpayments which arose following the inception of UPM. The Head of Compliance, Risk and Pensions reported two overpayments are in the process of recovery. A root cause analysis is in progress and changes are planned to the risk controls to avoid future occurrences. However, he confirmed this issue arose because of the transition to the new system and concerned pension commencement lump sum payments only.
- 8.5 The Committee discussed the TPR 'general code' and recommended the SLT avoid using multiple risk registers to reduce duplications.
- 8.6 The Head of Compliance, Risk and Pensions agreed to review whether there had been any Gifts, Hospitality and Expense Declarations in the period, noting that there had been a Board meeting in Q4. **ACTION: J McKenzie**
- 8.7 The Committee noted that there was some miscellaneous wording on page 4 of the document which could be removed; and queried if the conflicts of interests register should fall under ARC responsibility and not IC. **ACTION: M Anderson.**

The Committee **RESOLVED** to

1. **Note** the Conflict of Interest Register;
2. **Note** the Q4 2022/23 LPP SLA Compliance Certificate;
3. **Approve** the Audit and Risk Committee Terms of Reference for recommendation to the LPFA board for approval;
4. **Note** the June 2023 Compliance Monitoring plan update;
5. **Note** the Compliance Monitoring Plan and Methodology for 2023/24;
6. **Note** the Custody Assurance Arrangement.

**9. AC756 – LPFA RISK MANAGEMENT**

**Submission**

To present the risk dashboard, full current risk register and audit log of changes since the previous meeting.

**Discussion**

- 9.1 The Head of Compliance, Risk and Pensions introduced the papers. He reported a deep-dive of the LPFA requirements and the Camms platform is planned with a view to provide further training to ensure LPFA were utilising the software in the most appropriate way.
- 9.2 A Committee member queried why the current RAG score for Cyber security was not red. The Head of Compliance, Risk and Pensions confirmed that cyber security was being discussed internally and the risk register would be updated in light of those discussions. The Committee requested that discussions on the risk register were scheduled to occur ahead of the ARC meetings, so that the risk register would reflect the latest position. **ACTION: M Anderson.**
- 9.3 The Committee noted that several dates on the risk register were 31 March and these required updating. The Head of Compliance, Risk and Pensions confirmed that the audit log recorded the changes to the risk register and it was agreed that this would be moved to the beginning of the document to assist the Committee in their review. **ACTION: M Anderson.**

The Committee **RESOLVED** to note the risk dashboard, risk register, and audit log.

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**10. AC757 – EMPLOYER MANAGEMENT SERVICES**

**Submission**

The Committee was presented with an update on ongoing employer-related issues and project updates.

**Discussion**

- 10.1 The paper was taken as read.
- 10.2 The Committee noted that the employer who had disputed the covenant assessment for the 2022 valuation was currently paying the certified level of contributions, i.e. the amount based on the LPFA's covenant assessment.
- 10.3 The Committee discussed the two dispute cases in relation to the ending of payment plans. The Interim Funding and Investment Director advised legal advice has been received and both parties have recently accepted the offer of termination, with no final payment between the employers and the Fund.
- 10.4 The Interim Funding and Investment Director explained that both of these cases were based on individual legal agreements made between the employer and the Fund, which allowed time for the employer to contribute further to their liabilities and these agreements meant that current market conditions would be taken into account at the end of the agreement.
- 10.5 The Committee asked for clarification on the typical cessation process and the Interim Funding and Investment Director outlined that the default position is for the position to be assessed at the date that the employer ceases and any amount due to the Fund or from the Fund is crystallised and expected to be paid shortly afterwards.
- 10.6 The Committee discussed the two cases where recent cessations had led to surplus payments back to the employers and queried why these appeared to be the same. **Action M Norquay.**

The Committee **RESOLVED** to note the recent activity of the Employer Management Services team.

**11. AC758 – ANNUAL REVIEW OF ASBESTOSIS PROVISION**

**Submission**

To provide the Committee with an update on the management of asbestosis claims during 2022/23 and estimate of the cost of future claims.

**Discussion**

- 11.1 The Interim Funding and Investment Director introduced the paper, reporting that there could be considerable variance in number of claims per year and the costs per claim. The Committee noted that there was a total provision of £8.5m included in the year end accounts.
- 11.2 A question was raised regarding the term 'annual inflation' and the Interim Funding and Investment Director agreed to revise the wording in the paper. **ACTION: M Norquay**

The Committee **RESOLVED** to note the update on the management of asbestosis claims.

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**12. AC759 – FORWARD AGENDA**

**Submission**

To provide the forward agenda planner for feedback.

**Discussion**

- 12.1 The Committee noted the ARC Forward Agenda Planner.
- 12.2 The Committee suggested that both the Compliance Monitoring Plan and the Breaches and Overpayment reports should be included on the forward agenda. The Head of Compliance, Risk and Pensions agreed to arrange for this to be updated ahead of the next meeting. **ACTION: M Anderson**
- 12.3 The Committee noted that the date of the next ARC meeting shown on the agenda was incorrect. The meeting was due to take place on 20 September in the afternoon. Timings would be confirmed in due course.
- 12.4 The External Auditor confirmed that a final draft of the Audit Findings Report would be available for the September 2023 ARC meeting, but due to the issues previously discussed under Item 4, the final Fund Accounts would not be available until mid-October.

**13. ANY OTHER BUSINESS**

- 13.1 The Committee discussed, following the completion of the Board effectiveness review, whether ARC should take time to reflect on the Committee's ways of working and consider any improvements. It was agreed that this would be appropriate and time could be scheduled as part of the away day in September.
- 13.2 The CEO confirmed that there was no update in relation to the LPPi pensions liability matter, and LPFA were expecting to be able to bring this to the next full Board meeting.
- 13.3 It was noted that the next meeting was scheduled on the afternoon of 20 September, exact timings to be confirmed.
- 13.4 There being no further business, the Chair declared the meeting closed at 12.10pm.

**Signed as an accurate record of the meeting:**

Christina Thompson  
**Audit and Risk Committee Chair**

**Date:** 20/09/2023