

AUDIT & RISK COMMITTEE

MINUTES

Held 15:00-17:15 on Wednesday 20 September 2023 at the Petersham Hotel Richmond TW10 6UZ, and MS Teams.

Present:	Tamlyn Nall Debbie Rees Clare Scott Christina Thompson	Committee Member Committee Member Committee Member Committee Member (Chair)
In Attendance:	Audrey Allen-Chitwa Mark Anderson* Robert Branagh Jason McKenzie John Preston Lana Watson*	Pension Accountant/deputy s151 Officer Head of Compliance, Risk and Pensions Chief Executive Officer Interim Governance Manager (Minutes) Chair, LPFA Board (Observer) Funding and Investment Director
External Auditors:	Ashad Khan Ciaran McLaughlin	Public Sector Audit Assistant Manager, Grant Thornton UK LLP Director, Grant Thornton UK LLP
Internal Auditors:	Aaron Bendasiuk* Stephanie Edenborough*	Senior Manager, PricewaterhouseCoopers LLP Partner, PricewaterhouseCoopers LLP
Apologies: *via MS Teams	Michelle King	Finance Director

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

1. ARC760 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 Auditors without LPFA officers present.

LPFA Officers joined the meeting at 15:30

2. ARC761 – INTRODUCTORY MATTERS

Apologies

2.1. Apologies were received from Michelle King.

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.

Decisions made by email

2.4. The Committee ratified the decision made via email on 23 June 2023 relating to Responsible Investment beliefs to explicitly reference collaboration with other stakeholders.

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Minutes and actions

- 2.5. The Committee noted the committee effectiveness review will be conducted in November.
- 2.6. The Committee considered the minutes of the previous meeting held on 13 June 2023 and reviewed the action log.
- 2.7. The Committee **RESOLVED** to:
 1. **APPROVE** the minutes of the meeting held on 13 June 2023 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. AC762 – FINANCIAL REPORT

- 3.1. The Deputy S151 Officer took the paper as read and provided an overview of financial activity since the last meeting.

Discussion

- 3.2. The Committee discussed the presented papers in detail and made the following comments.
- 3.3. The Committee noted the external auditor is in the process of being changed to Ernst & Young Global Limited (EY) and due diligence is being undertaken to progress the onboarding. The Board queried EY's recent communication and accuracy and asked the CEO to provide this feedback to EY. **ACTION R Branagh.**
- 3.1. The Committee queried the 150% fee increase. **ACTION A Allen-Chitwa** to clarify.
- 3.4. The Committee noted the external auditor director Ciarin McLaughlin is concluding his employment with GT and therefore some accounts are not included with the Committee's papers and will be sent to the Committee for review out of session for recommendation to the Board.
- 3.5. It was noted the group accounts being signed on 27 September.
- 3.6. It was clarified that no investment decisions are required relating to the Treasury Management Policy which recommends transferring £30m from the pension fund cash to the LPPI/LPPA cash account. This represents 1.5% of available cash and 0.4% of total assets The policy states LPPI will manage the bulk of the accounts and LPPA manage the £30m float. The Committee comment this will provide an opportunity to review the money market. The Committee asked for confirmation that the purpose of the £30m float arrangements (in 7.2 pg69 of the policy) is not to maximise returns particularly, but rather to efficiently manage the cash account; and reporting will be sent to the Investment Committee. **ACTION A Allen-Chitwa having verbally confirmed this is the case, will provide a written confirmation for next ARC.**
- 3.2. The Committee agreed an overnight rate should be used not a monthly rate. **ACTION A Allen-Chitwa.**
- 3.3. The Committee noted a scheme of delegation summary is targeted to be brought to the November meeting.

The Committee **RESOLVED** to:

1. **Note** the Finance Director Report.
2. **Note** the 2022-23 Annual Accounts Overview.
3. **Note** the LPFA Q1 Investment Performance Report.
4. **Approve** the Treasury management Policy subject to the above amendments.

4. AC763 – EXTERNAL AUDIT

- 4.1. The Deputy S151 Officer took the paper as read and provided an overview of the external audit activity since the last meeting.

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Discussion

- 4.2 The Committee asked for clarity on the performance fees which appear different in other report, and asked for clarity within the narrative to avoid questioning the accuracy of the data.
- 4.3 The External Auditors provided an overview and the outstanding issues were discussed.
- 4.4 The Committee noted no adjustments are recommended aside from the operational accounts which have a typographical error (pg101 should read £6k not £6m).
- 4.5 The Committee noted the delay in preparing the Annual Governance Statement and the Governance Compliance Statement and agreed both will be sent out of session to the Committee as soon as possible for review and recommendation to the Board. It was agreed the timetabling will be more rigorous going forward. **ACTION: J McKenzie.**
- 4.6 The Committee agreed to provide approval and recommendation to the Board of the accounts out of session as this cannot be reviewed without the final figures. **ACTION: A Allen-Chitwa.**
- 4.7 The Committee noted that no statutory deadlines have been missed.
- 4.8 The Committee thanked Ciaran McLaughlin for his contribution over the years as our external auditor and wished him well in his retirement.
- 4.9 The Committee **RESOLVED** to:
 1. **REVIEW** the Statutory Accounts: Pension Fund, Operational and Governance, Residual Liabilities out of session as per the above.
 2. **NOTE** the Audit Findings Report.
 3. **APPROVE** the three Letters of Representation.

The External Auditors left the meeting.

5. AC763.2 – INTERNAL AUDIT

- 5.1 The Internal Auditor provided an overview of the paper.
- 5.2 The Committee discussed the two outstanding actions, the request to extend the report deadline to December; and the request to transfer the install and configuration of bank controls to the LPPA.
- 5.3 The CEO provided an alternative recommendation to transfer to LPFA Executive to manage control given more pressing issues require LPPA attention.
- 5.4 After robust discussion, the committee agreed to extend the deadline of the outstanding risk to 31 July 2024 as it is unlikely to be delivered before then; and for the risk to remain within the internal audit tracker.
- 5.5 The Committee **RESOLVED** to note the internal audit updates and:

6. AC764 – COMPLIANCE AND GOVERNANCE MATTERS

- 6.1 The paper was taken as read and the Head of Compliance, Risk and Pensions provided an overview of the highlights, include the Annual Benefit Statement (ABS) has closed and a lessons learnt exercise will be undertaken on failures and resolutions to employers. This will be reported to the Committee to ensure continuous improvement.

Discussion

- 6.2 The Committee expressed concern that 8% of members are not receiving their ABS. The Committee noted that further analysis is undertaken for LPB, and ARC will be kept updated on material issues. However, some employers struggling to provide the data to LPPA have a variety of issues ranging from limited internal resources to provide the data, through to some employers having challenging relationships with their payroll providers and not getting their data together in time or in the format required. LPFA officers are trying to help all such employers. The Committee noted the Head of Compliance, Risk and Pensions is working on increasing this number.
- 6.3 The committee discussed the option of enforcing a penalty to employers when delays in receiving data are experienced but noted this was currently contained with the new Pensions Admin Strategy document going

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to October Board for approval.

- 6.4 The Committee noted that auto-enrolment oversight is now insourced to LPFA.
- 6.5 The Committee noted the upgrade programme of CAMMS conducted in the summer resulted in the failure of the reporting structure, meaning the data cannot be exported, and to date the patches implemented have not resolved the issue yet. The process to source an alternative GRC system to replace the CAMMS contract in March is underway.
- 6.6 Despite the issue the Committee noted the data is retained in CAMMS and the risks are being monitored and managed. Discussions with CAMMS regarding remediation for failure to provide the agreed service are planned.
- 6.7 The Committee **RESOLVED** to note the updates including the LPP SLA Compliance Statement.

7. AC765 – LPFA RISK MANAGEMENT

- 7.1 The paper was taken as read. Head of Compliance, Risk and Pensions presented an overview of the paper.

Discussion

- 7.2 The Committee noted the Funding and Investment Director is now fully aware and owning the appropriate funding and investment risks in the business. The new risk ESIP which details LPPA on efficiency service improvement plan, the delivery of this project will be managed through the risk register.
- 7.3 The Chair requested to review the risk register in detail at the next meeting. **ACTION J McKenzie.**
- 7.4 The Committee **RESOLVED** to note the updates.

8. AC766 – EMPLOYER MANAGEMENT SERVICES

- 8.1 The paper was taken as read. The Funding and Investment Director presented an overview of the paper.

Discussion

- 8.2 The Committee had a discussed on the limited queries from some employers to consider more de-risking for individual employers, noting the complexity of undertaking this analysis at this time and that they would be supportive of officers considering this more for the next valuation due on 31 March 2025.
- 8.3 The Committee also discussed the wider issue of separate investment strategies for individual employers, including some existing university employers and again, agreed that this was a longer-term consideration, not one to be undertaken between Valuations.
- 8.4 The Committee **RESOLVED** to note the recent activity of the Employer Management Services team.

9. AC767 – FORWARD AGENDA

- 9.1 The Committee queried the proposed timings noting the annual report process should be reviewed at the November meeting. **ACTION: J McKenzie.**
- 9.2 The Committee noted the remaining ARC Forward Agenda Planner.

10. ANY OTHER BUSINESS

- 10.1 The Committee provided feedback on the increased narrative across the three accounts and thanked the team for their efforts.
- 10.2 There being no further business, the Chair declared the meeting closed at 17:00.

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Signed as an accurate record of the meeting:

Christina Thompson
Audit and Risk Committee Chair

Date: 23/11/2023