

Pension Fund Committee

Meeting to be held on Friday, 7 February 2020

Electoral Division affected: (All Divisions);
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Local Pensions Partnership progress in implementing actions arising from internal audit work

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Executive Summary

This report presents an update in relation to the progress made by the senior management team of the Local Pensions Partnership in relation to addressing actions arising from internal audit work as reported to the Committee in September 2019.

With the agreement of the Chair this report is presented as an item of urgent business as the update relates to a decision taken at the previous meeting, as set out in the Minutes at item 3 on the agenda, and should not wait until the next meeting on 6th March 2020.

Recommendation

That the Committee note this report.

Background and Advice

In September 2019 the Head of the Pension Fund presented a report on matters arising from work on the Local Pensions Partnership (the Partnership) by its internal auditor, Deloitte. At the meeting the company's Chief Risk Officer informed the Committee that the senior management team was taking action across the group to address matters arising from the audits and the Committee asked that an update report be presented to the next meeting on the implementation of the action plans.

However, the Committee scheduled for the 29th November 2019 was subsequently cancelled following the announcement of the General Election and the update report was not finalised in time to be included on the agenda for the meeting on 7th February 2020 when it was published. As the update report relates directly to the request in the Minutes from the previous meeting (item 3 on the agenda) the Chair has agreed that it should be presented as an item of urgent business rather than be reported to the meeting on 6th March 2020

Update

The County Council has been informed that, as at the end of November 2019, the Partnership had closed 32 audit points during 2019 and continues to make good progress. Eight actions remained to mitigate high risks, nine to address medium risks and five to address low risks; and a further eight were with Deloitte for their review pending closure. The company's formal internal governance and quality assurance process has ensured that there is a more stringent review of both the timescales in which action is taken, and of the evidence that issues have been addressed as intended. Any amendments to the agreed deadlines are justified and documented. This represents a much-improved position and the Partnership's management now has a greater degree of confidence and oversight than was in place in early 2019.

The position specifically in relation to audits that concluded that the Partnership's processes were ineffective was as follows:

- **Regulatory Compliance:** An external compliance consultancy has been appointed by Local Pensions Partnership Investments and fieldwork took place in December 2019. The decision was taken to seek advice on current best practice and completely refresh LPPI's original work programme. A report will be issued in January 2020 and the new plan (including documentation) will be fully implemented promptly, and respond to the issues raised by the audit. Two of the findings have been addressed by the Partnership and closed by Deloitte.
- **Cyber Security:** Procurement is underway of a market specialist to externally manage the ISO 27001 programme, with full oversight by the Partnership. The interim CTO has presented a formal ICT Strategy for the firm to the partnerships Board and this is being considered. This is a significant investment and will require discrete project management. Deloitte has been fully appraised of milestones and regular assurance will be provided to them the findings are being mitigated. Further, the Partnership's Executive Committee has agreed the Information and Cyber Security Strategy, which directly addresses the findings of this report.
- **Benefits Administration:** All audit findings have been addressed and are now closed.
- **Year 2 Core Financial Controls:** All audit findings have been addressed and are now closed.

Consultations

The Chief Risk Officer from the Local Pensions Partnership has been consulted on this report.

Implications:

This item has the following implications, as indicated:

Risk management

The Committee needs to be assured that action is being taken to mitigate the risks that the internal auditor has identified in a number of areas.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
None	Not applicable	-

Reason for inclusion in Part II, if appropriate

Not applicable.