

SCOTTISH BORDERS COUNCIL PENSION FUND COMMITTEE AND PENSION BOARD

MINUTES of Meeting of the PENSION FUND
COMMITTEE AND PENSION BOARD held
Via Microsoft Teams on Wednesday, 19
October 2022 at 10.00 am

Present:- Councillors D. Parker (Chairman), P. Brown, C. Hamilton, W. McAteer, D. Moffat, S. Mountford, J. Pirone, S. Scott, Mr A. Daye, Ms K. Hughes, Ms L. Stephen, and Ms K. Robb.

Apologies:- Councillor W. McAteer, Mr D. Bell and Mr M. Drysdale

In Attendance: Acting Chief Executive, Acting Chief Financial Officer, Chief Officer Audit and Risk, HR Shared Services Manager, Democratic Services Officer (D. Hall).

Also in Attendance: Mr A Haseeb and Ms Amanda Fitzpatrick (Audit Scotland)

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting held on 15 September 2022.

DECISION

NOTED for signature by the Chairman.

2. **EXTERNAL AUDIT REPORT**

- 2.1 There had been circulated copies of the report by Audit Scotland, the Council's external auditors. The report explained that Audit Scotland's work on the 2021/22 annual report and accounts were substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of annual accounts for final review, it was anticipated that Audit Scotland would be able to issue unqualified audit opinions in the independent auditor's report on 24 November 2022. Under International Standards on Auditing in the UK, specific matters were reported arising from the audit of financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The report set out conclusions from Audit Scotland's consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. The report would be issued in final form following the certification of the annual accounts. Mr Haseeb explained that the Committee and Board have stewardship of approximately £900m in pension fund asset value. £25m was paid per annum in benefits, with approximately 12,000 members. It was confirmed that the unadjusted misstatements were below the level of materiality, and Audit Scotland concurred with the decision not to adjust them. Regarding intended fraud, the Members in attendance confirmed that they were unaware of any frauds. Mr Haseeb highlighted that as part of the completion of the audit, written representations had been sought from the Acting Chief Financial Officer on aspects of the annual accounts, including the judgements and estimates made. A letter of representation template had been attached as Appendix B to the report, which was required to be signed and returned by the Acting Chief Financial Officer with the signed annual accounts prior to the independent auditor's report being certified.
- 2.2 Ms Amanda Fitzpatrick of Audit Scotland highlighted that the current audit appointment round was due to end in 2020/21, but had been extended for one year due to Covid-19. The procurement process for 2022/23 to 2026/27 had been completed in May 2022, with Audit Scotland again appointed as the external auditor for the Fund. The audit team, engagement lead, and other staff would be changed for the 2022/23 audits onwards. Ms Fitzpatrick presented the report and highlighted its key points to Members. The Acting

Chief Executive emphasised that despite the Fund having appeared to have performed near the bottom of the range of returns compared to other Funds, it had continued to deliver healthy positive returns on behalf of its members, and had done so with considerably less risk compared to the other Funds. In response to a question regarding level three estimates and the requirement to make estimations within the defined timescales, which resulted in out of date information being used, Mr Haseeb acknowledged that the issue occurred on annual basis, but stressed that the difference only became a concern if they were above the level of materiality – which was set at a high level. The Acting Chief Executive stressed that timing issues seen in the accounts arose on annual basis where officers were required to make an estimate without all of the required information available from investment managers. The Chairman thanked Mr Haseeb and Ms Fitzpatrick for their work with the Fund over their term as part of the Audit team.

DECISION

APPROVED the report to be put forward to a meeting of the Audit Committee and then Scottish Borders Council.

3. FINAL ANNUAL REPORT AND ACCOUNTS 2021/22

With reference to paragraph 11 of the Minute of the meeting held on 29 June 2022, there had been circulated copies of a report by the Acting Chief Financial Officer which provided the Joint Pension Fund Committee and Pension Fund Board with an opportunity to scrutinize the final Annual Report and Accounts for the Pension Fund for 2021/22 prior to their submission to the Audit Committee and then Scottish Borders Council for signature. The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specified the elements which must be contained in the Annual Report and Accounts, the list of those were contained in the report. The final Annual Report and Accounts contained in Appendix 1 to the report fully met those requirements. Audit Scotland had completed their audit and had provided an unqualified independent audit opinion. The Scottish Borders Council's Pension Fund Annual Audit Report highlighted four new recommendations and followed up five recommendations from previous audits. Actions plans had been agreed for each of the recommendations. The report had been presented to members of both the Pension Fund Committee and the Pension Fund Board for them to recommend the final Annual Report and Accounts for 2021/22 (the Annual Report) for approval prior to submission to Scottish Borders Council for signature. The Acting Chief Financial Officer highlighted that the recommendations had been accepted and timings agreed. In terms of governance, the report and accounts would be sent to the Audit Committee due to be held on 23 November 2022, following which they would be presented to Scottish Borders Council on 24 November 2022. The Chief Officer, Audit and Risk explained that regarding improvement actions in the report, concurrent work was ongoing related to overpayment. It was recommended that an overpayment policy for the Pension Fund was put in place, and work would take place to ensure that there was consistency in the policy principles.

DECISION

AGREED the Pension Fund Annual Report and Accounts 2021/22 for Officer signature and Council Approval.

4. PRIVATE BUSINESS

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to excluded the public from the meeting during consideration of the business contained in the following items on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 6 and 8 of Part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

5. MINUTE

The Committee noted the Private Minute of the meeting of 15 September 2022

The meeting concluded at 10.30 am