

Pensions Audit Sub-Committee of the Pensions Committee

10.00 am, Monday 16 December 2013

Present

Councillors Rose (Convener), Bill Cook and Orr.

Consultative Panel Members Present:

Eric MacLennan.

1. Minute

Decision

To approve the minute of the Pensions Audit Sub-Committee of the Pensions Committee of 20 September 2013 as a correct record.

2. Annual Report on the 2012/13 Audit of the Lothian Pension Funds

The external auditor's annual report of the Lothian Pension Funds for 2012/13 was considered.

A representative from Audit Scotland was present for this item.

Decision

- 1) To note the Annual Report on the 2012/13 Audit of the Lothian Pension Funds.
- 2) To note the Action Plan at Appendix B of the director's report.
- 3) To agree that the plans for internal and external audit should be developed in consultation with the Convener of the Pensions Audit Sub-Committee prior to consideration by the Pensions Committee in March 2014.

(Reference – report by the Director of Corporate Governance, submitted.)

3. Internal Audit Bi-Annual Activity Report – December 2013

Internal Audit confirmed the completion of the delivery of the 2012/13 audit plan and gave progress on the delivery of the 2013/14 audit plan. Key findings were provided on

the Lothian Pension Fund – Control Testing and on a Review of Controls around the new Pension Payroll System.

The Sub-Committee made the following comments on the key findings report:

- The brevity of the report was welcomed but more detail was required for the Sub-Committee to ascertain where there were concerns that should be scrutinised further.
- An explanation should be given on the level of risk and its potential impact.

Decision

- 1) To note the progress of Internal Audit in respect of the 2012/13 internal audit plan and the areas of higher priority findings.
- 2) To note that the Chief Internal Auditor had confirmed that she would take on board the comments made by the Sub-Committee on the key findings report.

(Reference – report by the Chief Internal Auditor, submitted.)

4. Investment Strategy Update

The Pensions and Trusts Committee had agreed the Lothian Pension Fund's investment strategy in October 2012. Progress against this strategy and the interim benchmarks was provided.

Decision

To note the progress made in implementing the Investment Strategy 2012-17, in particular the transition to lower risk equities.

(References – Pensions and Trust Committee 3 October 2012 (item 4); report by the Director of Corporate Governance, submitted.)

5. Global Custody Services Performance

Details were provided of the key performance indicator report for the 6 months ended 30 September 2013 provided by Northern Trust.

Decision

To note the report on the performance of the global custody service provided by Northern Trust.

(Reference – report by the Director of Corporate Governance, submitted.)

6. Class Actions

A class action was when an investor agreed to act as a lead plaintiff in a case against a company. Details were provided of the recent activity in regard to class actions which could affect the Lothian Pension Funds.

Decision

To note the report by the Director of Corporate Governance.

(Reference – report by the Director of Corporate Governance, submitted.)

7. EU Tax Claims

The activity on EU tax claims made on behalf of the Lothian Pension Fund was summarised.

Decision

To note the progress made in reclaiming EU taxes suffered on dividends.

(Reference – report by the Director of Corporate Governance, submitted.)

8. Risk Management

The quarterly risk overview as at 15 November 2013 was detailed.

Decision

To note the quarterly risk overview.

(Reference – report by the Director of Corporate Governance, submitted.)

9. Agenda Planning December 2013

An indication was provided of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings in 2014.

Decision

- 1) To request that further information on risk management was provided at the June 2014 Sub-Committee.
- 2) To request that the reports on EU tax claims and Investment Income Review – Cross Border Withholding Tax were considered together at the December Sub-Committee.

(Reference – report by the Director of Corporate Governance, submitted.)