

# Item 4.1 - Minutes

## Pensions Audit Sub-Committee of the Pensions Committee

10.00 am, Tuesday 15 December 2015

### Present

Councillors Rose (Convener), Bill Cook and Orr.

### Pensions Board Members Present:

Simon Belfer.

## 1. Minute

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### Decision

To approve the minute of the Pensions Audit Sub-Committee of the Pensions Committee of 29 September 2015 as a correct record.

## 2. Agenda Planning

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An overview of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings for March and June 2016 were outlined.

### Decision

To note the agenda planning document.

(Reference – report by the Deputy Chief Executive, submitted.)

## 3. Lothian Pension Fund – Internal Audit Update 2015/16

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A summary was provided of Internal Audit activity during the period 1 September to 30 November 2015. Details were provided on the review of compliance arrangements and the procedures surrounding externally managed investments.

### Decision

- 1) To note the Internal Audit activity during the period 1 September to 30 November 2015.
- 2) To note the matters arising from the Internal Audit reviews undertaken in this period.

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

## 4. Investment Controls and Compliance

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Details were provided of the key matters in relation to investment controls and the development of the in-house investment operations. These matters were investment controls, Financial Conduct Authority authorisation, investment pooling and wider financial services regulation.

### Decision

To note the progress made in relation to implementing the recommendations of the external consultant, the establishment of a Financial Conduct Authority authorised structure, the Fund's involvement in the investment pooling discussions and the potential impact of new financial service regulation on the Fund.

(Reference – report by the Deputy Chief Executive, submitted.)

## 5. EU and Other Tax Claims

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A summary of activity on EU and other tax claims made on behalf of the Lothian Pension Fund was provided. The amount of settled claims had increased by £108k to a total of £1,370k.

### Decision

To note the report.

(Reference – report by the Deputy Chief Executive, submitted.)

## 6. Global Custody Services Performance

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The Funds' custodian, Northern Trust, had provided their key performance report for the 12 months ended 30 September 2015. Northern Trust was currently meeting the needs of the three Pension Funds and was of a sufficient standard.

### Decision

To request that any consideration of the contract for custody provision is undertaken sufficiently in advance of February 2017, when the contract expires or is extended.

(Reference – report by the Deputy Chief Executive, submitted.)

## 7. Investment Income Review Cross Border Withholding Tax

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Information was provided on a benchmarking study prepared by KPMG into the effectiveness of the procedures in place to manage the tax exposure on the investment income of Lothian Pension Fund and Lothian Buses Pension Fund.

### Decision

To note the report.

(Reference – report by the Deputy Chief Executive, submitted.)

## 8. Resolution to consider in private

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The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for item 9 on the grounds that they involved the disclosure of exempt information as defined in Paragraph 6 of Schedule 7(A) of the Act.

## 9. Risk Management in Depth Review

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The Fund's operational risk register which set out the degree of risk and the actions taken to mitigate these risks was outlined.

### **Decision**

To ask that the scoring for the risk of late payment of pensions is considered, to consider the different elements of the risk of fraud and to reflect the risk of cyber attacks in the register.

(Reference – report by the Deputy Chief Executive, submitted.)