

# Minutes

## Pensions Audit Sub-Committee of the Pensions Committee

**2.00pm, Monday 11 December 2017**

### Present

Councillors Rose (Convener) and Child; John Anzani

### Pensions Board Members Present:

Alan Williamson

## 1. Minutes

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### Decision

To approve the minutes of the Pensions Audit Sub-Committee of the Pensions Committee of 26 September 2017 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 2018 was outlined.

### Decision

- 1) To note the agenda planning document.
- 2) To note that the Pension Board were invited to comment on agenda items during Committee meetings.

(Reference – report by the Executive Director of Resources, submitted.)

## 3. Lothian Pension Fund Internal Audit Update – 1<sup>st</sup> September 2016 to 31<sup>st</sup> October 2017

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A summary was provided of Internal Audit Activity for Lothian Pension Fund during the period 1 September 2016 to 31 October 2017.

Details were provided of open and overdue Internal Audit recommendations at 26 October 2017. Three reviews had been included in the 2017/18 audit plan of which one had been completed, one was at draft reporting stage and another was in progress.

## **Decision**

To note Internal Audit activity and outcomes for the period 1 April to 31 October 2017 and the status of Lothian Pension Fund open and overdue Internal Audit recommendations as at 26 October 2017.

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

## **4. Pensions Administration Data Quality**

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Information was given of the ongoing work to enhance the quality of pension administration membership record data.

### **Decision**

To note and be assured by the report by the Executive Director of Resources.

(Reference – report by the Executive Director of Resources, submitted.)

## **5. EU Tax Claims and Income Recovery**

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A summary was provided of activity on EU and other tax claims made on behalf of the Lothian Pension Fund. During the period since the last report, no additional claims had been received and the amount recovered to date remained at £1.3 million.

### **Decision**

- 1) To note the report by the Executive Director of Resources.
- 2) To note the decision by officers not to refresh the older Fokus Bank claims in Italy and note that this was based on an assessment of the cost and the perceived remote likelihood of the claims ultimately being paid as detailed in table 3.10 in the report by the Executive Director of Resources.

(Reference – report by the Executive Director of Resources, submitted.)

## **6. Investment Income Review Cross Border Withholding Tax**

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Information was given of a benchmarking study prepared by Ernst & Young regarding 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 by the Executive Director of Resources.

(Reference – report by the Executive Director of Resources, submitted.)

## **7. Global Custody Services Performance**

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The Key Performance Indicator report provided by the Funds' custodian Northern Trust for the 12 months ended 30 September 2017 was presented. Northern Trust was currently meeting the needs of the three Pension Funds.

### **Decision**

To note the report by the Executive Director of Resources.

(Reference – report by the Executive Director of Resources, 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 the following items of business on the grounds that they involved the disclosure of exempt information as defined in Paragraphs 6 and 9 of Schedule 7(A) of the Act.

## **9. Lothian Pension Fund Internal Audit Update – Payroll Outsourcing Security Review**

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An update was provided of progress on the Payroll Outsourcing Security due diligence review that had been added to the audit plan in September 2017.

### **Decision**

To note the progress with the review and that an opinion on the data security controls operated by the company detailed in the report by the Executive Director of Resources should be provided in early December and that this was dependent on timely responses from the company to the final questions raised by Internal Audit and its review of those responses.

(References – Pensions Audit Committee 26 September 2017 (item 2); report by the Executive Director of Resources, submitted.)

## **10. Investment Controls and Compliance**

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A summary was given of the key matters in relation to investment controls and the development of the in-house investment operations of the Lothian Pension Fund Group.

### **Decision**

To note the update on ongoing compliance, monitoring and other initiatives in relation to enhancing investment controls in relation to the current activity of the Lothian Pension Fund Group and also with future collaboration in mind.

(Reference – report by the Executive Director of Resources, submitted.)

## 11. Risk Management in Depth Review

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A summary was provided of the Lothian Pension Fund's risk management procedures, including details on the operational risk register and the Fund's action to mitigate these risks.

### **Decision**

Detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

(Reference – report by the Executive Director of Resources, submitted.)