

## Pensions Audit Sub-Committee of the Pensions Committee

**8.30am, Monday 26 March 2018**

**Present:**

Councillors Rose (Convener) and Child; John Anzani

**Pensions Board Member 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 11 December 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 June and September 2018 was presented.

**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> November 2017 to 31<sup>st</sup> March 2018

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The Pensions Committee, on 20 March 2017, had approved the Internal Audit Plan for the Lothian Pension Fund which included the following reviews:

- Review of IT Business Resilience and Disaster Recovery
- Information Governance
- Pensions Tax – Pensions Tax Lifetime and Annual Allowances
- Information Security Due Diligence Review for Payroll Outsourcing

A summary was provided of Internal Audit activity for the Fund during the period 1 November 2017 to 31 March 2018. Three of the four audits had been completed with a total of ten findings raised as set out in the report.

Details were also provided of open and overdue Internal Audit recommendations at 31 January 2018.

## **Decision**

To note Internal Audit activity and outcomes for the period 1 November 2017 to 31 March 2018 and the status of Lothian Pension Fund open and overdue Internal Audit recommendations as at 31 January 2018.

(References – Pensions Committee 20 March 2017 (item 4); report by the Chief Internal Auditor, submitted)

## **4. Lothian Pension Fund – Draft Internal Audit Plan for 2018/19**

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Approval was sought for the Lothian Pension Fund draft Internal Audit plan for the period 1 April 2018 to 31 March 2019. The plan had been developed using a risk based methodology to ensure that Internal Audit assurance activity was focused on the Fund's key risks.

The following three reviews were included in the plan:

- Unlisted investment valuations and application of fund administration fees and charges
- Unitisation
- Stock lending

## **Decision**

- 1) To approve the Lothian Pension Fund Internal Audit Plan for 2018/19.
- 2) To request the Executive Director of Resources to provide an update report to the next meeting of the Audit Sub-Committee on Lothian Pension Fund's progress towards meeting the requirements of the General Data Protection Regulations.

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

## **5. External Audit – Annual Audit Plan 2017/18**

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The Pensions Committee, on 20 March 2017, had agreed:

- a) To note that there was sufficient separation between Scott-Moncrieff's payroll, taxation advisory and audit services and that it did not affect the firm's ability to provide an independent audit.
- b) To approve the continuation of non-audit services of taxation advice provided by the company's external auditor to the Lothian Pension Fund Group.

The work plan for the 2017/18 external audit of Lothian Pension Fund, Lothian Buses Pension Fund and the Scottish Homes Pension Fund was presented. Core elements of the work plan included an audit of the 2017/18 financial statements and related matters and a review of arrangements for governance and transparency, financial management, financial sustainability and value for money.

Representatives from Scott Moncrieff were in attendance for this item.

### **Decision**

- 1) To note the planned programme of work to support the statutory audit 2017/18 as set out in Appendix 1 of the report.
- 2) To note that suitable provision had been made in the approved budget 2017/18 for the audit fee.
- 3) To note that progress against the Annual Audit Plan 2017/18 would be reported to future meetings of the Pensions Audit Sub-Committee and the Pensions Committee.

(References – Pensions Committee 20 March 2017 (item 5) report by the Executive Director of Resources, submitted)

## **6. Lothian Pension Final Internal Audit Report – Payroll Outsourcing Security Due Diligence Review**

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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 item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 6 and 9 of Schedule 7(A) of the Act.

An update was provided on the final outcomes of the Payroll Outsourcing Security Due Diligence Review that had been added to the internal audit plan in September 2017.

### **Decision**

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

(References – Pensions Audit Sub-Committee 11 December 2017 (item 9); report by the Chief Internal Auditor, submitted)

## **7. Risk Management Summary**

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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 item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 6 and 9 of Schedule 7(A) of the Act.

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)