

## **Pensions Audit Sub-Committee Minutes**

### **2pm, Tuesday 8 December 2020**

#### **Present:**

Councillors Rose (Convener) and Child; John Anzani.

#### **Pension Board Members present:**

Jim Anderson.

#### **Other Attendees:**

Andy McKinnell, Independent Professional Observer and Lesley Newdall, Chief Internal Auditor, City of Edinburgh Council

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#### **Quorum**

The Clerk confirmed that notice of the meeting had been given and that a quorum was present and the Convener declared the meeting open.

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#### **Order of Business**

The Clerk confirmed that there was no change to the order of business.

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#### **Declaration of Interests**

#### **Decision**

To note there were no declarations of interest.

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#### **Minutes**

#### **Decision**

To approve the minute of the Pensions Audit Sub-Committee of 28 September 2020 as a correct record subject to inserting the words “net assets” into the last sentence of paragraph 2 of item 8 – LPF Audited Annual Report and Financial Statements 2020.

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#### **Pension Board Oversight**

The Pension Board representatives confirmed that they would provide comment on any relevant matters during the meeting.

## **Agenda Planning**

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An overview of proposed reports for future Pensions Committee and Pensions Audit Sub-Committee meetings and the annual cycle was presented.

### **Decision**

- 1) To note the agenda planning document.
- 2) To note that pensions board members were invited to comment on agenda items during committee meetings.

(Reference – report by the Chief Risk Officer, LPF, submitted.)

## **EU Tax Claims and Other Income Tax Recoveries**

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Information was provided summarising activity on EU and other special tax claims made on behalf of Lothian Pension Fund. During the period covering the last two reporting cycles no additional claims had been paid and the amount recovered to date remained at £1.37m.

Key developments highlighted in report were:

- Further legal progress with the Manninen and Manufactured Overseas Dividend claims
- WTax had made additional Fokus claims in Germany and Denmark on a no win no fee basis.

### **Decision**

To note the update.

(Reference – report by the Chief Finance Officer, LPF, submitted.)

## **Pensions Data Quality**

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Details were given of ongoing work to enhance the quality of the pension administration membership record data. In line with its Pension Administration Strategy, the Fund continued its efforts to improve the flow of data from employers through regular reporting and liaison. This year the Fund had focused on cleansing member records for the submission of data for the triennial valuation, annual benefit statement production and the Pensions Regulator scheme return.

### **Decision**

- 1) To note the report.

- 2) To commend the LPF staff team for their high standard of work in continuing to enhance the quality of the pension administration membership record data.

(Reference – report by the Chief Finance Officer, LPF, submitted.)

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

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Information was provided on the benchmarking assurance review prepared by Deloitte into the effectiveness of the procedures in place to manage the tax exposure on the investment income of the Lothian Pension Fund and the Scottish Homes Pension Fund.

The review showed that Northern Trust was generally applying the correct withholding tax rates on investment income. Recovery claims were being processed and reclaims received. However, Deloitte had advised that the time taken appeared to be longer than the market standard for refunds particularly for Switzerland and Germany. A summary of the opportunities and issues identified was provided.

#### **Decision**

To note the report.

(Reference – report by the Chief Finance Officer, LPF, submitted.)

### **Lothian Pension Fund – Internal Audit Update for the Period 1 April to 30 October 2020**

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Details were provided of the progress of Internal Audit assurance activity on behalf of Lothian Pension Fund. Delivery of the three audits included within the 2020/21 Internal Audit Plan had been impacted by the Covid-19 pandemic with one audit now in progress and the remaining two currently being planned.

The Chief Internal Auditor confirmed that there were currently six open internal audit findings remaining.

#### **Decision**

- 1) To note progress with delivery of the Lothian Pension Fund (LPF) 2020/21 Internal Audit Plan.
- 2) To note progress with implementation of agreed management actions to support closure of LPF Internal Audit findings raised.
- 3) To note the update on costs associated with delivery of the 2020/21 Internal Audit Annual Plan.
- 4) To note that the Chief Internal Auditor would provide a briefing note for Committee and Pension Board members on progress being made towards the remaining six open findings set out in the report.

(References – Pensions Audit Sub-Committee 28 September 2020 (item 6); report by the Chief Internal Auditor, City of Edinburgh Council, submitted.)

### **Risk Management In-Depth Review**

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The Sub-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 1.3 and 6 of Schedule 7(A) of the Act.

In line with the Lothian Pension Fund's (LPF) ongoing risk management procedures, the quarterly overview was provided of LPF's risk analysis together with the LPF Operational Risk Register.

#### **Decision**

- 1) To note the quarterly risk overview for the period to 2 November 2020 and the operational risk register.
- 2) To note that a report was scheduled to be submitted to a future meeting of the Pensions Committee on risk appetite.

(References – Pensions Audit Sub-Committee 28 September 2020 (item 11); report by the Chief Risk Officer, LPF, submitted.)

### **Global Custody Due Diligence and Services Performance**

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The Sub-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.

Details were given of Lothian Pension Fund's (LPF) due diligence and monitoring of the investment custody services provided by the Fund custodian.

#### **Decision**

To approve the recommendations in the report as detailed in the confidential schedule signed by the Convener with reference to this minute.

(Reference – report by the Chief Finance Officer, LPF, submitted.)