

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

**2pm, Tuesday 7 December 2021**

### **Present:**

Councillors Rose (Convener) and Child; John Anzani.

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

Nick Chapman and Tom Howorth.

### **Other Attendees:**

Andy McKinnell (Independent Professional Observer) and Lesley Newdall (Chief Internal Auditor, CEC)

## **1. Quorum**

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

## **2. Order of Business**

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

## **3. Declaration of Interests**

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### **Decision**

To note there were no declarations of interest.

## **4. Minutes**

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### **Decision**

To approve the minute of the Pensions Audit Sub-Committee of 27 September 2021 as a correct record.

## **5. Pension Board oversight**

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

## **6. Agenda Planning**

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An overview of proposed reports for Pensions Committee and Pensions Audit Sub-Committee meetings for March and June 2022 was presented.

### **Decision**

- 1) To note the agenda planning document.
- 2) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.
- 3) To note that an update on the return of physical meetings will be provided in advance of the March 2022 Pension Committee meeting.
- 4) To circulate the cyber security report to members for review before the end of December 2021; members would subsequently decide if a meeting of the Audit Sub-Committee was required to be held in March 2022.

(Reference – report by the Chief Risk Officer, Lothian Pension Fund, submitted.)

## **7. Lothian Pension Fund – Internal Audit Update at 5 November 2021**

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An update was provided on progress of Internal Audit assurance activity on behalf of Lothian Pension Fund (LPF) carried out by the City of Edinburgh Council's internal audit team.

Delivery of the four audits included in the 2021/22 internal audit annual plan was in progress with one audit nearing completion and three currently being planned.

As at 5 November 2021, LPF had four open internal audit findings not yet due for completion and one medium rated open internal audit finding that became overdue in September 2020.

The 2020/21 Cessations internal audit report supporting the 2020/21 internal audit annual opinion had been finalised and was presented for review and scrutiny.

### **Decision**

- 1) To note progress with delivery of the Lothian Pension Fund 2021/22 Internal Audit annual plan.
- 2) To note progress with implementation of agreed management actions to support closure of Lothian Pension Fund internal audit findings raised.

- 3) To note the content of the final Cessations Internal Audit report that supported the 2020/21 Internal Audit Annual Opinion presented to the Pensions Committee in August 2021.

(References – Pensions Committee 20 August 2021 (item 5); report by the Chief Internal Auditor, City of Edinburgh Council, submitted.)

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

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A summary was provided of activity on EU and other special tax claims made on behalf of Lothian Pension Fund. No additional claims had been made during the period covering the last two reports and the amount recovered to date remained at £1.37m.

Progress on outstanding claims was reported with the main developments being a further legal progress with the Manninen and Manufactured Overseas Dividend claims and some positive news regarding the prospects of the Fokus Bank claim in France.

### **Decision**

To note the report.

(Reference – report by the Chief Finance Officer, Lothian Pension Fund, submitted)

## **9. Pensions Data Quality**

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Information was provided of the ongoing work to enhance the quality of the pension administration membership record data. In accordance with the Pension Administration Strategy, the Fund continued to improve the flow of data from employers through regular reporting and liaison.

Members noted that this year the Fund had focused on cleansing member records for the annual benefit statement production and The Pensions Regulator Scheme return.

### **Decision**

- 1) To note the report.
- 2) To request that an update be provided setting out further actions LPF were taking regarding employer non-compliance.
- 3) To note that Pension Board member representatives would liaise with LPF on the subject of raising awareness of benefits statements.

(Reference – report by the Chief Finance Officer, Lothian Pension Fund, submitted)

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

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Information was provided on a benchmarking assurance review prepared by Ernst & Young 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. Ernst & Young had advised that, in some cases, the time taken to receive reclaims was slightly longer than expected but acknowledged that the ongoing pandemic had been a factor in this.

A summary of the opportunities and issues identified was provided.

### **Decision**

To note the report.

(Reference – report by the Chief Finance Officer, Lothian Pension Fund, submitted)

## **11. 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 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, an overview was provided of LPF's risk analysis and statement of risk appetite.

The Risk Management Group continued to meet regularly to assess all elements of the LPF Group's risk framework including the risk appetite, register, overall assurance position and any more granular risks escalation from other sub-groups.

### **Decision**

Detailed in the confidential schedule, signed by the Convener, with reference to this minute.

(Reference – report by the Chief Risk Officer, Lothian Pension Fund, submitted)

## **12. Global Custody Supplier Management 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 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.

**Tuesday, 7th December, 2021**

The key performance indicator report for the 12 months ended 30 September 2021 provided by Lothian Pension Fund's custodian Northern Trust was presented.

**Decision**

Detailed in the confidential schedule, signed by the Convener, with reference to this minute.

(Reference – report by the Chief Finance Officer, Lothian Pension Fund, submitted)