

Minutes

Pensions Audit Sub-Committee of the Pensions Committee

2.00pm, Tuesday 25 June 2019

Present:

Councillors Rose (Convener) and Child; John Anzani.

Pensions Board Member:

Sharon Cowle

Independent Professional Observer

Andy McKinnell

1. Minutes

Decision

To approve the minute of the Pensions Audit Sub-Committee of the Pensions Committee of 11 December 2018 as a correct record.

2. Agenda Planning

An overview of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings for September and December 2019 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 Opinion and Annual Report for Year Ended 31 March 2019

The Internal Audit annual opinion for Lothian Pension Fund (LPF) for the year ended 31 March 2019 was presented. The opinion was based on the outcomes of four audits included in the LPF 2018/19 Internal Audit annual plan and the status of open and overdue Internal Audit findings as at 31 March 2019.

Members noted that the opinion had changed from “red” to “amber” this year based on the outcomes of the audits undertaken. It was noted that the key driver for this change was the significant progress made since March 2019 on the overdue internal audit findings.

A follow up process on outstanding actions had been implemented and was now firmly established together with a quality assurance framework which would be applied from the financial year 2019/20.

Decision

To note the internal audit opinion for the year ended 31 March 2019 and the ongoing actions being taken towards continuing improvement.

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

4. Lothian Pension Fund Unaudited Annual Report (and Financial Statements) 2019

The unaudited Annual Report and Financial Statements for the year ended 31 March 2019 for the Lothian Pension Fund was submitted.

Members received a presentation on the detail of the Annual Report and Financial Statements. Key areas highlighted were:

- Merger of Lothian Buses into the Lothian Pension Fund
- Effect on Fund Account
- Effect on Net Asset Statement
- Membership figures
- Scottish Homes Pension Fund Financial Statements
- Contributions from Scottish Government

Guidance was awaited from CIPFA on the standardised reporting of investment cost transparency and members discussed the work being carried out in England around PSLA new templates relating to cost transparency initiative. Lothian Pension Fund currently provided disclosures additional to those required in the CIPFA guidance and Audit Scotland had indicated they were supportive of this.

In summary, the Chief Finance Officer reported that LPFE and LPFI company accounts were consolidated for presentation to Scott Moncrieff as external auditors.

Decision

To note the unaudited Annual Report (and Financial Statements) for the year ended 31 March 2019 for Lothian Pension Fund and Scottish Homes Pension Fund.

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

5. Risk Management Summary

The quarterly risk overview as at 15 May 2019 was presented. Members discussed risk changes and noted that most had improved or were progressing towards improvement.

Decision

To note the update on the quarterly risk overview.

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

6. Lothian Pension Fund ICT Update

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 Lothian Pension Fund's digital strategy and ICT pathway.

Decision

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

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

7. Regulatory Update – The Pensions Regulator Audit

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.

Information was provided on the findings of the Pension Regulator Audit which had been carried out during the preceding six months.

Decision

To note the Pension Regulator Cohort Review feedback on the Lothian Pension Fund.

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

8. Investment Controls and Compliance

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 key matters in relation to the Lothian Pension Fund Group's systems and controls around the development of the in-house investment operations of the Lothian Pension Fund.

Decision

To note the update.

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