



Pensions Audit Sub-Committee

2pm, Tuesday, 19 March 2024

Lothian Pension Fund - Internal Audit Update – March 2024

Item number 6.5

1. Recommendations

The Pensions Audit Sub-Committee (Committee) is requested to note:

- 1.1 Progress with delivery of the approved 2023/24 the Lothian Pension Fund Internal Audit plan with three audits now complete.
- 1.2 The outcomes of the recently completed Information Security audit.
- 1.3 The proposed audit of Project Forth has now been removed from the 2023/24 Plan.
- 1.4 The outcomes of the annual validation review of a sample of previously closed LPF audit actions.
- 1.5 Progress with implementation of agreed management actions from previously completed internal audits.
- 1.6 Timescales for the Lothian Pension Fund Internal Audit Annual Report and Opinion for 2023/24.

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Lothian Pension Fund - Internal Audit Update – March 2024

2. Executive Summary

- 2.1 This report provides details of the progress of Internal Audit's (IA) assurance activity on behalf of Lothian Pension Fund (LPF) overseen by the City of Edinburgh Council's (the Council) IA function across the period from November 2023 to 5 February 2024.
- 2.2 Delivery of three of the five audits in the approved 2023/24 IA annual plan are now complete.
- 2.3 Due to project cessation, Committee is asked to note removal of the audit Project Forth which was proposed in the 2023/24 IA annual plan. As a result, the 2023/24 IA plan now includes a total of four audits.
- 2.4 A report detailing the outcomes of the recently completed Information Security audit is presented for Committee review and scrutiny.
- 2.5 The Business Continuity audit is currently in reporting and will be presented to the next Committee meeting.
- 2.6 An annual validation review was completed during 2023/24 to validate whether a sample of LPF management actions closed between 1 January 2022 and 31 December 2022 continue to be effectively sustained.
- 2.7 As at 6 February 2024, LPF had 13 open management actions with 11 actions passed the original implementation date. 11 actions have been closed since November 2023.
- 2.8 The LPF Internal Audit Annual Report and Opinion which will provide IA's annual opinion on the adequacy and effectiveness of LPF's governance, risk and control frameworks for the year ended 31 March 2024, will be presented to Committee in June 2024.

3. Background

3.1 2023/24 Internal Audit Annual Plan

The 2023/24 LPF IA plan agreed by the Pensions Audit Sub-Committee in March 2023 included five audits.

Internal Audit Follow-Up Process

- 3.2 IA follow-up and report on progress with implementation of management actions arising from IA reports.

4. Main Report

- 4.1 The 2023/24 IA annual plan agreed by Committee in March 2023 included the following five audits:
- People Processes – Complete August 2023
 - Senior Managers and Certification Regime – Complete November 2023
 - Information Security Arrangements – Complete February 2024
 - Business Continuity – Due to complete March 2024
 - Project Forth
- 4.2 Delivery of three of the five audits is now complete, with the outcomes of the Information Security audit presented in this paper for Committee review and scrutiny.
- 4.3 The Business Continuity Audit is currently in reporting and will be presented to the Committee at the next meeting.
- 4.4 Due to the project no longer progressing at this time, the proposed audit of Project Forth has now been removed from the 2023/24 IA plan.
- 4.5 In addition, the 2023/24 Internal Audit Plan includes an annual validation review, which consists of a review of a sample of previously completed LPF management actions to confirm whether these have been effectively implemented and sustained.

Information Security audit

- 4.6 The Information Security audit is now complete and a report detailing the outcomes is included at Appendix 1 for review and scrutiny by Committee.
- 4.7 The overall assurance rating for this audit was **Substantial Assurance**, with 1 Medium rated finding, 1 Low rated finding, and 1 Advisory finding raised.
- 4.8 The review concluded that the adequacy and operating effectiveness of the controls in place for Information Security are generally satisfactory and support the achievement of LPF objectives. The findings are intended to enhance and strengthen LPF's information security control framework across the following areas:
- Incident Management Policy
 - LPF's Policies

Annual Validation review

- 4.9 In January 2024, Internal Audit completed an annual validation review to validate whether a sample of LPF management actions closed between 1 January 2022 and 31 December 2022 continue to be effectively sustained.

- 4.10 Audit testing confirmed that the actions below which were reviewed as part of the sample continue to operate as agreed by management:

Audit Code and Title	Rating	Date Closed	Validation summary
LPF2103 Employer Contributions	Low	28/12/2022	Controls are still in place and continue to operate effectively.
LPF2003 Technology Model Development	Medium	21/12/2022	Controls are still in place and continue to operate effectively.

Status of Open IA management actions

- 4.11 As at 6 February 2024, LPF had a total of 13 outstanding management actions (3 High, 7 Medium and 3 Low) which were raised across the following audits:
- Information Governance (7)
 - Third Party Supplier Management (3)
 - Senior Managers and Certification Regime (3).
- 4.12 Eleven management actions have passed their original implementation date. Revised dates and a management update on progress for each action is included at Appendix 2.
- 4.13 The remaining two management actions are not yet due for completion and implementation is currently being progressed by LPF.

2023/24 Internal Audit Annual Report and Opinion

- 4.14 The LPF Internal Audit Annual Report and Opinion which will provide a summary of IA work completed during the year, and an opinion on the adequacy and effectiveness of LPF's governance, risk and control frameworks for the year ended 31 March 2024, will be presented to Committee in June 2024.

5. Financial impact

- 5.1 Failure to close management actions and address the associated risks in a timely manner may have financial impacts which are not yet measurable.

6. Stakeholder/Regulatory Impact

- 6.1 IA recommendations are raised when control gaps or deficiencies are identified during audits. If management actions are not implemented, LPF will be exposed to the risks associated with the key processes, including the potential risk of non-compliance with applicable regulations.

7. Background reading/external references

7.1 [Public Sector Internal Audit Standards](#)

7.2 [Lothian Pension Fund – 2023/24 Internal Audit Annual Plan](#) – March 2023

8. Appendices

Appendix 1 Internal Audit Report: Information Security - January 2024

Appendix 2 LPF outstanding audit actions as at 6 February 2024