



Internal Audit

2024/25 Annual Plan

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Introduction and approach

Introduction

In line with the Internal Audit Charter, Internal Audit provides independent and objective assurance on the overall effectiveness of the Lothian Pension Fund's (LPF) governance, risk, and control frameworks.

This document sets out the scope of the Internal Audit 2024/25 annual plan with the objective of delivering independent assurance on the key controls established across the LPF group to mitigate high and moderate risks.

Approach

The approach to preparing the annual plan is set out at Figure 1. The plan is driven by LPF's objectives and priorities, and an assessment of the risks that could prevent LPF from meeting its objectives.

The audit universe includes the LPF group structure and provide assurance for the LPFI and LPFE Boards where appropriate.

LPF's Business Plan centres around the following four broadly defined strategic goals:

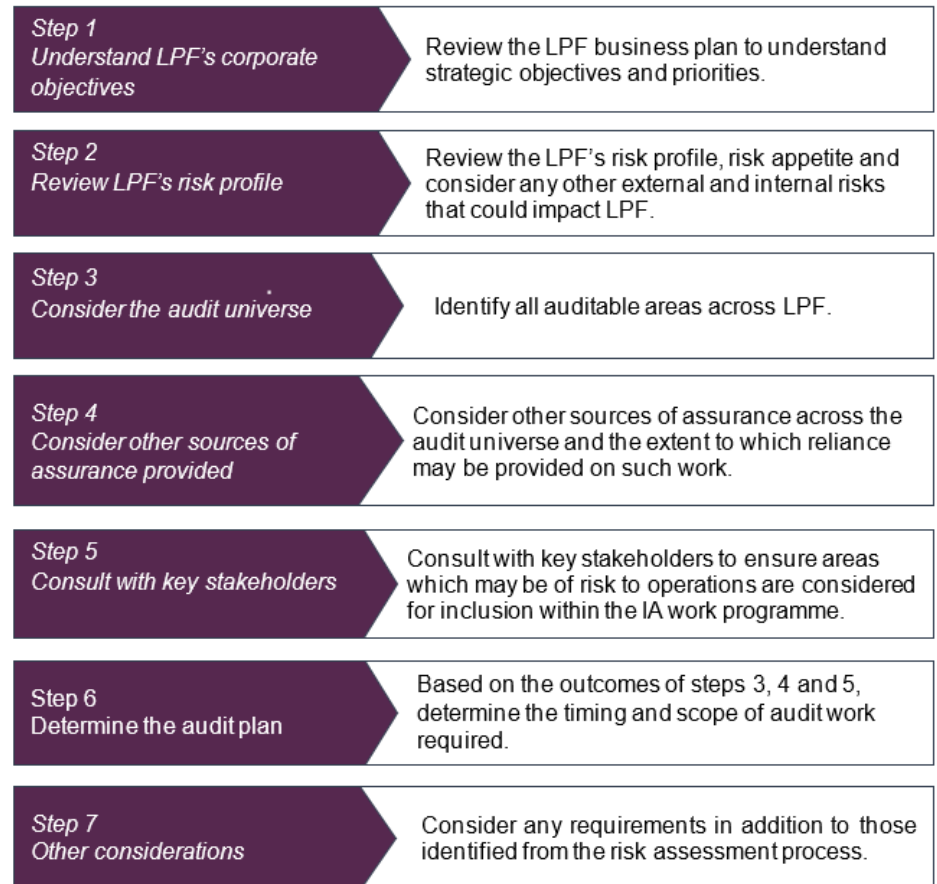
- *develop and deliver a member and employer proposition for service excellence*
- *earn an appropriate risk adjustment investment return as responsible officers*
- *extend collaboration and services to existing partners and deepen where possible*
- *achieve greatness in our people, teams, and culture.*

Other sources of assurance

Internal Audit is only one of several sources of assurance over the LPF groups risks. In developing our risk assessment and plan we have considered other sources of assurance and have considered the extent to which reliance can be placed upon these other sources (for example, external audit, BDO, Mercer and LPF's Risk and Compliance function).

IA does not intend to place formal reliance upon these other sources of assurance but would not seek to duplicate the work they do. Key stakeholders including senior management, committee members and external audit (Azets) have been invited to provide input into the IA annual plan to help ensure that the relevant areas are targeted for review.

Figure 1: Approach to developing the 2024/25 IA Annual Plan



LPF PUBLIC DATA

Risk Assessment

To ensure a risk-based approach to the LPF Group IA annual plan which is proportionate and aligned to business-critical risks and emerging issues, consideration was given to the LPF group's priorities as detailed in the [2023-24 Business Plan](#).

LPF undertook a comprehensive review of its Risk Management Framework during 2023 which resulted in a simplified methodology and revised risk registers. The IA risk assessment considered the LPF group risk profile as at January 2024 (Table 1). All high and moderate risks (a total of 15 risks) were reviewed, together with the outcome of previously completed audits, other assurance sources and key regulatory requirements (Table 2).

Table 1: LPF Risk Summary as at January 2024

Total risks	Very High	High	Moderate	Low	Insignificant
26	0	3	15	7	1

Table 2: High and Moderate risks assessment and assurance map

Risk Ref	Level 1 Risk	Level 2 Risk	Risk Name	Entity	Rating	Previous IA Assurance			Proposed 24/25 coverage	Other sources of assurance
						21/22	22/23	23/24		
7	Governance, Legal & Compliance	Governance	Discharge of Accountabilities & Responsibilities	LPF	H	Risk Management	Project Forth Programme Health Check	Follow-up	Pensions Committee Governance & Operational Effectiveness	
16	People & Culture	People & Culture	Recruitment & Retention	All	H	-	-	People Processes	Follow-up of 2023/24 People Processes Audit	Azets People review 2022
17	People & Culture	People & Culture	Resources	All	H	-	-	People Processes Business Continuity	Follow-up of 2023/24 People Processes Audit and 2023/24 Business Continuity Audit	Azets People review 2022
25	Governance, Legal & Compliance	Governance	Best Practice Governance	All	M	Risk Management	Project Forth Programme Health Check	Follow-up	Pensions Committee - Governance & Operational Effectiveness	BDO Compliance Assurance Monitoring Programme (LPFI)
2	Information Security IT & Data	Data	Data Management	All	M	Bulk Transfers	Information Governance	Information Security	Follow-up of 2022/23 Information Governance Audit and 2023/24 Information Security Audit	
13	Business Operations	Third Party	Supplier Performance and Oversight	All	M	Capital Calls Employer Contributions	Third-Party Supplier Management Information Governance	Follow-up	Follow-up of 2022/23 Third-Party Supplier Management Audit	
19	Investment Management	Investment Management	Investment Strategy	LPFI LPF	M	-	-	-	IGIP Implementation Infrastructure Asset Selection, Management & Oversight	Themed Services Investment Reviews

Risk Ref	LPF PUBLIC DATA		Risk Name	Entity	Rating	Previous IA Assurance			Proposed 24/25 coverage	Other sources of assurance
	Level 1 Risk	Level 2 Risk				21/22	22/23	23/24		
11	Information Security IT & Data	Information Security & Cyber	Cyber Security	All	M	-	-	Information Security	Follow up of 2023/24 Information Security Audit	Independent cyber security maturity assessment completed Dec 2021
4	Governance, Legal & Compliance	Regulatory Compliance	Regulatory Breach	All	M	-	-	Senior Manager Certification Regime	IGIP Implementation Follow-up of 2023/24 Senior Manager Certification Regime Audit	Themed Services Investment Reviews
21	Strategy	Strategy	Strategic Goals	All	M	-	Risk Management	-	No internal audit work in 2024/25 proposed. Audit of Responsible Investment / ESG proposed for 2025/26 and further review of Risk Management to be considered in 2026/27	
18	Strategy	Climate	Climate Change and Responsible Investing	All	M	-	-	-	Responsible Investment/ ESG review proposed for 25/26	
9	Business Operations	Business Continuity	Business Interruption	All	M	-	-	Business Continuity	Follow-up of 2023/24 Business Continuity Audit	
1	Investment Management	Investment Management	Investment Performance	All	M	Capital Calls	-	-	Infrastructure Asset Selection, Management & Oversight	Mercer Systems and Controls Review (LPFI)
6	Business Operations	Processing and Execution	Investment Operations Errors	All	M	Capital Calls	-	-	IGIP Implementation	
27	Business Operations	Processing and Execution	Operational Errors	LPF	M	Bulk Transfers	-	-	Member Payments	
8	Business Operations	Processing and Execution	Investment Services Delivery	LPF	M	Cessations	-	-	Infrastructure Asset Selection, Management & Oversight	
5	Scheme	Employer Contributions	Employer Failure	LPF	M	Employer Contributions	-	-	No internal audit work in 2024/25 proposed.	
10	Information Security IT & Data	Technology	IT systems	All	M	Technology Model Development		Information Security	Follow up of 2023/24 Information Security Audit	

2024/25 Internal Audit Plan

The following table sets out the LPF internal audit work programme for the period 1 April 2024 to 31 March 2025. Reports detailing outcomes of each review will be presented to the Pensions Sub-Committee. Reviews completed for LPFI/LPFE will also be presented to the relevant Board.

While the audit plan includes a short summary of the area proposed for review, IA will meet with key officers prior to commencing each audit to further understand the key risks and to develop and refine the scope of each review. It should be noted, that if areas are identified during testing that are outwith scope but impact the risk and control framework, findings and recommendations will still be raised and reported on, where appropriate.

Audit	Entity	Risks	Quarter
Pensions Committee Governance & Operational Effectiveness – review of the governance arrangements for the Pensions Committee to provide assurance on operational effectiveness in line with the delegated functions set out in the Terms of Reference and relevant regulations as well as consideration of fiduciary duties. Will also consider member skills, knowledge, and training.	LPF	7 and 25	Q1
Member Payments – review of design adequacy and operating effectiveness of key controls and processes established to ensure member payments are accurate and on time, including payment administration of regular payments, pro-rata payments, one-off lump sum payments, change of bank details, and management of under/overpayments.	LPF	27	Q2
Infrastructure Asset Selection, Management & Oversight – review of will consider how infrastructure assets are selected and managed including the investment strategy, costs, investment risk management investment performance and consideration of climate change.	LPFI	1, 8, 19	Q3
Investment Governance Improvement Plan (IGIP) Implementation – review of progress with implementation of the improvement actions set out in the IGIP, to address the gaps and weaknesses identified in the themed review of Investment Services	LPFI	4, 6, 8 13, 19	Q4
Annual Validation review - review of a sample of previously implemented and closed audit actions to confirm that they have been effectively sustained.	All	Dependent on sample	Q4
Other IA activities including annual planning and reporting, committee reporting and attendance, and officer/member support including training on the New Global IA Standards.			Ongoing