

**Annual Report 2024  
of  
Lothian Pension Fund  
and  
Scottish Homes Pension Fund**

**“Statement on the system of internal financial control  
for the year ended 31 March 2024”**

Section 95 of the Local Government (Scotland) Act 1973 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”. Service Director: Finance and Procurement serves as the Section 95 Officer for all of the City of Edinburgh Council’s accounting arrangements, including those of the Lothian Pension Fund and Scottish Homes Pension Fund.

In compliance with standard accounting practice, the Section 95 Officer, is required to provide the Chief Executive Officer with a statement of the effectiveness of the internal financial control system of the Funds for the year ended 31 March 2024.

The Funds place reliance upon the internal financial controls within the City of Edinburgh Council’s financial systems and the monitoring in place to ensure the effectiveness of these controls. Accordingly, the “Statement on the system of internal financial control” APPROVED by Richard Lloyd-Bithell, Service Director: Finance and Procurement, City of Edinburgh Council, dated May 2024, refers.

Within this overall control framework, specific arrangements for the Lothian Pension Fund and Scottish Homes Pension Fund are detailed in the Annual Governance Statement. These include:

- identifying the objectives of the Funds in Funding Strategy Statement, Statement of Investment Principles and Service Plan;
- a systematic approach to monitoring service performance by the Pensions Committee, Pensions Audit Sub-Committee, senior officers and stakeholders, including the Pension Board and Independent Professional Observer;
- a structured programme to ensure that Pension Committee members have the required standard of knowledge and understanding of Local Government Pension Scheme matters;
- operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Funds’ Statements of Investment Principles;
- compliance with the CIPFA Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme;
- with the exception of managed funds, unlisted investments and property, all investments are held under custody by a global custodian. The Funds benefit from the custodian’s extensive internal control framework;
- benchmarking of services in terms of standards and cost against other Local Government Pension Scheme funds, other public service pension schemes and private sector funds;
- LPFE and LPFI operating within their respective constitutional documentation and the relevant company regulations;

- LPFI operating within the relevant governance policies and procedures to ensure compliance with the Financial Conduct Authority regulations

The internal audit function for Lothian Pension Fund and Scottish Homes Pension Fund is provided by the City of Edinburgh's Chief Internal Auditor and forms part of our assurance framework. Based on audit reviews undertaken and liaison with the Chief Internal Auditor to-date, suitable reliance can continue to be placed upon the LPF control environment and governance and risk management frameworks.

It is my opinion, therefore, that reasonable assurance can be placed upon the adequacy and effectiveness of the system of internal financial control for the LPF Group in administering the Lothian Pension Fund and Scottish Homes Pension Fund.

**Alan Sievwright**  
**Chief Finance Officer**  
**11 June 2024**