



Pensions Audit Sub-Committee

2pm, Tuesday, 3 December 2024

Lothian Pension Fund - Internal Audit Update – October 2024

Item number 6.2

1. Recommendations

The Pensions Audit Sub-Committee is requested to:

- 1.1 Note progress with delivery of the approved 2024/25 Lothian Pension Fund Internal Audit plan.
- 1.2 Note outcomes of the recently completed Annual Validation audit.
- 1.3 Note the tendering process for a new co-source Internal Audit partner is now complete and onboarding of the new partner is in progress.
- 1.4 Note progress with implementation of agreed management actions from previously completed internal audits.
- 1.5 Note progress with implementation of the new Global Internal Audit Standards.

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Lothian Pension Fund - Internal Audit Update

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 3 August to 29 October 2024.
- 2.2 Delivery of the approved 2024/25 IA annual plan is underway with two audits complete, one in fieldwork and a further two in planning.
- 2.3 The outcomes of the recently completed Annual Validation audit are presented to members for information.
- 2.4 In October 2024, the Internal Audit team completed the tendering process to agree a new co-source provider who will support delivery of LPF audit work for the next two years, with an option to extend for a further two years.
- 2.5 Initial planning with the co-source provider and LPF officers for the remaining two audits included in the 2024/25 IA Plan – Infrastructure Asset Selection and Management & Oversight, and Investment Governance Improvement Plan (IGIP) Implementation has commenced.
- 2.6 As of 29 October 2024, LPF had 35 open management actions with no actions past the original implementation date. A total of 4 actions have been closed since August 2024.
- 2.7 An update on progress in preparing for implementation of the Global Internal Audit Standards (GIAS) which come into effect in January 2025 is provided together with an update on implementation of the UK Public Sector Application Note and a Code of Practice for the Governance of Internal Audit which will apply from 1 April 2025.

3. Background

- 3.1 The [2024/25 LPF IA plan](#) was agreed by the Pensions Audit Sub-Committee in March 2024 and included four audits and an annual validation audit.
- 3.2 In order to ensure relevant expertise and skills are available for specialist audit areas, the Council's Internal Audit function engages a co-source provider on a contract basis. The contract with the previous provider ended in May 2024.
- 3.3 IA follows-up and reports on progress with implementation of management actions arising from IA reports.
- 3.4 In January 2024, the Institute of Internal Auditors launched new [Global Internal Audit Standards \(GIAS\)](#), which will come into effect in January 2025.

- 3.5 To support the GIAS in the UK Public Sector, the UK 'Relevant Internal Audit Standard Setters' (RIASS) have developed a UK Public Sector Application Note and a Code of Practice for the Governance of Internal Audit which will apply from 1 April 2025.

4. Main Report

2024/25 Internal Audit Annual Plan

- 4.1 The 2024/25 IA Plan was approved by the Pensions Committee in March 2024, and includes the following four audits:

Audit	Timescale	Status
Pensions Committee Governance & Operational Effectiveness	Q1 June -Aug	Complete
Member Payments	Q2 Oct - Jan	Fieldwork
Infrastructure Asset Selection, Management & Oversight	Q3 Nov-Jan	Planning
Investment Governance Improvement Plan (IGIP) Implementation	Q4 Jan-Mar	Initial planning due to start Dec

Outcomes of completed audit work

- 4.2 The Pensions Committee Governance & Operational Effectiveness audit is complete and outcomes were reported to Committee on [24 September 2024](#).
- 4.3 The Member Payments audit is also underway with outcomes due to be reported to committee in March 2025.
- 4.4 Planning for the remaining two audits: Infrastructure Asset Selection, Management & Oversight, and Investment Governance Improvement Plan (IGIP) Implementation have commenced. These audits will be completed with support from the newly appointed co-source Internal Audit provider Deloitte.

Annual Validation audit

- 4.5 The 2024/25 IA Plan also included an annual validation audit which reviewed a sample of audit actions closed in the period 1 January 2023 to 31 December 2023 to confirm whether these remain effective and continue to be sustained.
- 4.6 Audit testing confirmed that the actions below which were reviewed as part of the sample continue to be sustained as agreed by management:

Audit Code and Title	Rating	Date Closed	Validation summary
LPF 2202 Information Governance	High	27/06/2023	Controls are still in place and continue to operate effectively.
LPF2001 Bulk Transfers	Medium	07/08/2023	Controls are still in place and there have been no instances to confirm operating effectiveness.

Status of Open IA management actions

4.7 As at 29 October 2024, LPF had a total of 35 outstanding management actions (7 High, 20 Medium, and 8 Low) which were raised across the following audits:

- Information Governance (5)
- Information Security Arrangements (1)
- Business Continuity and Incident Response (18)
- Pensions Committee Governance and Operational Effectiveness (11).

4.8 Details of all outstanding audit actions is provided in Appendix 1.

Global Internal Audit Standards (GIAS) and relevant UK public sector requirements

4.4 During 2024, the Council's IA team has progressed an action plan to ensure readiness for the implementation of the new GIAS in January 2025. This includes completing a gap analysis of current IA procedures in line with the new requirements, developing an IA Strategy and delivering training to key stakeholders including GRBV members. Trainings sessions for the Pensions Audit Sub-Committee, LFPI Board and LPFE Board will be scheduled as part of member training programme.

4.5 In addition, as a result of the new GIAS, the UK Public Sector Internal Audit Standards (PSIAS) will be replaced with an Application Note for the Global Internal Audit Standards in the UK Public Sector which will form the basis for expected requirements, effective from 1 April 2025 alongside the GIAS.

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 [Global Internal Audit Standards](#)
- 7.3 [CIPFA - GIAS \(UK Public Sector\) and Code of Governance for IA in Local Government](#)
- 7.4 [Lothian Pension Fund – Internal Audit Quarterly Update – September 2024](#)
- 7.5 [Lothian Pension Fund – 2024/25 Internal Audit Annual Plan – March 2024](#)

8. Appendices

Appendix 1 LPF Internal Audit Outstanding Management Actions as at 29 October 2024