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# Strathclyde Pension Fund

Annual Audit Report  
[Provisional]

10 September 2025



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## About this report

This report has been prepared in accordance with Terms of Appointment Letter, through which the Accounts Commission has appointed us as external auditor of Strathclyde Pension Fund for financial years 2022/23 to 2026/27.

This report is for the benefit of the Pension Fund and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

## Accessibility

Our Report may be available on Audit Scotland's website, and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018. Responsibility rests with the publishing organisation to ensure that standards are met.

# Executive summary

This report summarises the findings from the 2024/25 annual audit of Strathclyde Pension Fund (the Pension Fund). The scope of the audit was set out in our Annual Audit Plan, presented to the 19 March 2025 meeting of the Pension Fund's Pensions Committee. The report summarises:

- Our conclusions arising from the audit of the Pension Fund's financial statements; and
- A summary of significant matters and conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice 2021.

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## Financial statements

Including our consideration of management's assessment of going concern

[We have concluded our audit of the financial statements of Strathclyde Pension Fund for the year ended 31 March 2025.]

The draft financial statements and supporting working papers were of a sufficient quality to allow us to complete our audit procedures. We identified two unadjusted differences arising from the audit, as well as a number of misstatements in disclosures and other minor disclosure amendments, which were processed within the financial statements as part of the audit process.

We were satisfied that the Annual Governance Statement, reflects the requirements of CIPFA's updated Delivering Good Governance Framework, including the identification and disclosure of relevant areas for improvement.

In accordance with the CIPFA Code of Practice on Local Government Accounting, the Pension Fund prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Pension Fund has concluded that there are no material uncertainties around its going concern status.

[We have no matters to report in respect of our work around going concern or the conclusions reached by the Pension Fund.]

## Best Value

Pension Funds have a statutory duty to have arrangements to secure Best Value. The Pension Fund should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

In our view, the Pension Fund's performance management and financial reporting arrangements allow the Pension Fund to demonstrate the achievement of Best Value.

# Executive summary: Wider Scope responsibilities

## Financial management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.

The Pension Fund has established financial management arrangements, and we are satisfied that these are adequate for the management of its financial position. No significant matters for improvement in financial management arrangements have been identified by internal audit activity in 2024/25 or as a result of our own audit procedures. One audit recommendation was given in the prior year which was revisited during our audit and remains ongoing, see Appendix E.

Our assessment: **Green**

## Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

The value of the Fund increased by 2.3% to £31.3 billion during 2024/25, with investment performance at 3.6%, slightly below the benchmark return set for the year of 5.0%. The 2023 valuation funding level was 147%, evidencing that the Fund is well-funded.

The Fund has begun to see movements in its' member bodies as a result of consolidations and exit credits, with further movements expected.

Our assessment: **Green**

## Vision, Leadership and Governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

The Pension Fund had appropriate Governance arrangements in place throughout 2024/25 and ensured governance activities were held on a routine and timely basis. We consider the Governance Statement to be consistent with our findings from our audit. There were no identified weaknesses in governance or internal control that were required to be reported within the Annual Governance Statement, and no recommendations were given from Internal Audit. We have one outstanding audit recommendation from 2022/23 relating to approval of journal postings.


Our assessment: **Green**

## Use of Resources to improve outcomes

The Pension Fund's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

The Pension Fund has a well-developed approach in place to monitor and report on investment performance. The Pension Fund underperformed against benchmark, however, continues to perform above the LGPS average across both three and five-year periods. Robust arrangements are in place to scrutinise the performance of managers.

Our assessment: **Green**



# Introduction

## Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of Strathclyde Pension Fund ('Pension Fund') for the five-year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the Pension Fund and the Accounts Commission and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

A key objective of audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Pension Fund employs best practice and where practices can be improved, and how risks facing the Pension Fund can be mitigated. We use these insights to form audit recommendations to support the Pension Fund.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations. We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Pension Fund. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The Code of Audit Practice sets out the responsibilities of both the Pension Fund and the auditor (refer to Appendix A). We outlined the scope of our work within our Annual Audit Plan which was presented to the Pension Fund Committee on 19 March 2025. There have been no material changes to the plan.

## Financial Statements audit

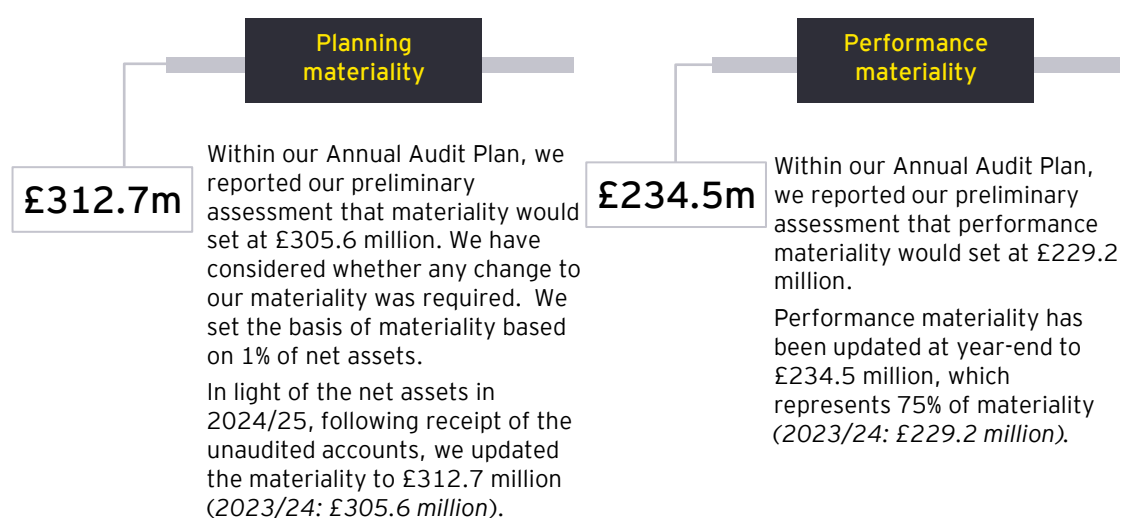
We are responsible for conducting an audit of the Pension Fund's financial statements. We provide an opinion as to:

- Whether they give a true and fair view of the financial transactions of the Pension Fund as at 31 March 2025 and of the amount and disposition at that date of its assets and liabilities.
- Whether they have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code.
- Whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements. We outlined the significant risks and other focus areas for the 2024/25 audit in our final Annual Audit Plan, which we have submitted to the Audit Scotland in July 2025 (provisional Audit Plan was presented to the Pension Fund Committee on 19 March 2025).

No changes have been made compared to what we reported in our Annual Audit Plan. Three significant risks were identified, being a risk of fraud through management override of control, valuation of complex assets and valuation of directly held properties. In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 3 of this report.

### Exhibit 1: Updated assessment of materiality



We updated our reporting materiality from £15.2 million in our Annual Planning Report to £15.6 million in this report. Unadjusted misstatements were identified as can be seen in Appendix F.

# Introduction to Wider Scope and Best Value audit

## Wider Scope and Best Value audit

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the Pension Fund, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- The Pension Fund's arrangements to secure sound financial management.
- The regard shown to financial sustainability.
- Clarity of plans to implement the vision, strategy and priorities of the Pension Fund, and the effectiveness of governance arrangements for delivery.
- The use of resources to improve outcomes.

Our annual assessment of the Pension Fund's arrangements to secure best value is integrated within our wider scope annual audit work.

# 2 Financial Statements

## Status of the audit:

Our work is materially complete. Areas that remain ongoing at this stage include:

- Completion of our work over management's assessment of going concern;
- The completion of partner and manager review;
- Completion of journals testing, where we are in discussion with the Finance Manager regarding completeness of journals identified; and
- Receipt and review of an updated version of the financial statements.

## Introduction

The annual financial statements allow the Pension Fund to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted one area that we identified as a fraud risk relating to management override of controls. ISA (UK) 240 also requires us to assume that fraud risk from revenue recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure. For the Pension Fund, we rebut the risk of fraud in revenue and expenditure recognition.

Additionally, significant risks were identified relating to the valuation of complex assets and directly held property.

The Pension Fund complied with key regulations, including the submission of draft financial statements for audit within the sector deadline and arrangements for public inspection.

The financial statements were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2024/25. The draft financial statements and supporting working papers were submitted for audit by 30th June 2025, following the consideration by the Pension Fund Committee. We were satisfied that the Pension Fund made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.

As part of our oversight of the Pension Fund's financial reporting process we consider key aspects of the Pension Fund's preparation of the financial statements and supporting documentation, predominantly by the finance team, to support the audit. We also reviewed the financial statements and made comments aimed at improving the compliance with the Code of Accounting Practice, or to enhance the understanding of the financial statements. The key qualitative aspects that we consider in relation to the preparation of the financial statements, along with our conclusions, are set out within Exhibit 2, overleaf.

## Audit outcomes

As part of the audit, we reviewed the financial statements and made several comments aimed at improving the compliance with the Code of Accounting Practice. We worked with management to make minor amendments to the financial statement disclosures, and we will continue to highlight and discuss good practice throughout our period of appointment.

We identified two unadjusted differences arising from the audit, relating to timing differences identified in our testing of level 3 assets. There are no adjusted differences.

Disclosure amendments were identified during the audit within the Fair Value Hierarchy. The changes are outlined in Appendix F and management have not yet updated the financial statements.

Our assessment of the quality of the financial statements preparation and support is summarised in Exhibit 2.

### Exhibit 2: Factors impacting the execution of the audit

Area	Status	Explanation
Timeliness of the draft financial statements	Effective	<ul style="list-style-type: none"><li>The financial statements were presented to the Pension Fund Committee on 24<sup>th</sup> June 2025, and draft accounts were shared with audit on the same date.</li></ul>
Quality and completeness of the draft financial statements	Effective	<ul style="list-style-type: none"><li>Our review of the financial statements identified minor presentational and disclosure changes and minimal internal inconsistencies.</li></ul>
Delivery of working papers in accordance with agreed client assistance schedule	Ineffective	<ul style="list-style-type: none"><li>There were significant delays with provision of working papers, and working papers were not available upon commencement of the audit on 7<sup>th</sup> July 2025. This resulted in delays at the beginning of the audit.</li><li>Working papers subsequently provided were of good quality to support audit procedures.</li></ul>
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective	<ul style="list-style-type: none"><li>Despite intermittent availability of the Finance Manager, the Fund ensured relevant people were available where required.</li></ul>
Volume and value of identified misstatements	Effective	<ul style="list-style-type: none"><li>Identified misstatements related to timing differences of information available from Fund managers at the time of drafting the accounts. Despite being large in value, these are standard practice within Pension Funds.</li><li>No further misstatements were identified.</li></ul>
Volume of misstatements in disclosure	Effective	<ul style="list-style-type: none"><li>We identified minimal disclosure misstatements, the most material of which being in relation to classification of investments within the fair value hierarchy. Refer to Appendix F.</li></ul>
Adherence to public inspection period	Effective	<ul style="list-style-type: none"><li>We were satisfied that the Pension Fund made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.</li></ul>

## Audit Approach

We adopted a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements.
- Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.
- Ensuring that reporting to the Pension Fund Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- We rigorously maintain auditor independence (refer to Appendix B).

Our overall audit opinion is summarised on the following page.

### Exhibit 3: Our Audit Opinion

Element of our opinion	Basis of our opinion	Conclusions
<b>Financial statements</b> <ul style="list-style-type: none"> <li>Truth and fairness of the financial transactions of the Pension Fund at 31 March 2025 and of the amount and disposition at that date of its assets and liabilities.</li> <li>Financial statements in accordance with the relevant financial reporting framework and relevant legislation.</li> </ul>	<ul style="list-style-type: none"> <li>[We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.]</li> <li>We are satisfied that accounting policies are appropriate, and estimates are reasonable.</li> <li>We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.</li> </ul>	<p>We [have issued] an unqualified audit opinion on the 2024/25 financial statements for the Pension Fund.</p>
<b>Going concern</b> <ul style="list-style-type: none"> <li>We are required to conclude on the appropriateness of the use of the going concern basis of accounting.</li> </ul>	<ul style="list-style-type: none"> <li>We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis.</li> <li>Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.</li> </ul>	<p>[In accordance with the work reported on page 16, we have not identified any material uncertainties.]</p>
<b>Other information</b> <ul style="list-style-type: none"> <li>We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.</li> </ul>	<ul style="list-style-type: none"> <li>The Chief Financial Officer is responsible for other information included in the financial statements.</li> <li>We conduct a range of substantive procedures on the financial statements, and our conclusion draws upon review of committee and Pension Fund minutes and papers, regular discussions with management, our understanding of the Pension Fund and the wider sector.</li> </ul>	<p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p>
<b>Matters prescribed by the Accounts Commission</b> <ul style="list-style-type: none"> <li>Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.</li> </ul>	<p>Our procedures include:</p> <ul style="list-style-type: none"> <li>Reviewing the content of narrative disclosures to information known to us.</li> <li>Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code.</li> </ul>	<p>[We issued an unqualified opinion.]</p>
<b>Matters on which we are required to report by exception</b>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> <li>Adequate accounting records have been kept.</li> <li>Financial statements are not in agreement with the accounting records.</li> <li>We have not received the information or explanations we require.</li> </ul>	<p>[We have no matters to report.]</p>

## Our response to significant and fraud audit risks

We identified three significant risks within our 2024/25 Annual Audit Plan:

- Risk of fraud through management override of control
- Valuation of complex assets
- Valuation of directly held properties

### Risk of fraud through management override of control

#### What is the risk?

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the valuation of investment assets at the year end.

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

#### Impacted balances within the financial statements:

- Net assets: £31.271 million.

#### What judgements are we focused on?

We consider entire population of journals and balances, including investment asset balances posted in totality to the accounts at year-end.

#### What did we do?

We undertake specific, additional procedures for balances where we identified a fraud risk. For 2024/25 our work included consideration of the following areas:

- **Risk of fraud:** We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.
- **Testing on journal entries:** We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, including year-end investment assets journals. We obtained all journals posted by management to record the transactions of the Pension Fund, which are hosted on the Glasgow City Council financial ledger. We subsequently identified risk criteria for the journals and tested any relevant journals considered to be at higher risk of misstatement to understand the basis for the transaction and agree to third party supporting evidence. This testing is ongoing at the time of writing this report. We also note that prior year recommendation in respect of one weakness in internal controls as detailed in Appendix E remains outstanding.
- **Independent confirmation of contributions:** we have obtained supporting documentation through independent confirmations of contributions by the Fund's scheduled bodies and their auditors, in line with the Audit Scotland protocols. To date, we have no issues to report, however this testing is ongoing at the time of writing this report.

- **Judgements and estimates:** We agreed with management's assessment that there are no material accounting estimates included in the financial statements that have a direct impact on the Fund's financial statements beyond the estimates used by third parties to value assets in which the Pension Fund has investments.
- **Accounting policies:** We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Pension Fund to be appropriate and there were no significant accounting practices which materially depart from the Code.
- **Significant unusual transactions:** We discussed with management whether there were any significant unusual transactions in the year. We remained alert to the indication of this through our testing of journal entries and through core audit transaction testing.

### Our conclusions:

- Our testing has not identified any material misstatements relating to management override.
- We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- There was no disagreement during the course of the audit over any accounting treatment or disclosure, and we encountered no significant difficulties in the audit.

## Our response to significant and fraud audit risks

### Valuation of Complex Assets

#### What is the risk?

##### Impacted balances within the financial statements:

- Level 2 assets: £14.1 billion; and
- Level 3 assets: £7.2 billion.

As of 31 March 2025, the Fund held investments (excluding property) of £28.9 billion, of which 75% (£21.3 billion) were classified as Level 2 and Level 3 investments, meaning there are not publicly quoted prices in place in an active market. We have assigned a significant risk to the valuation of Private Equity and Infrastructure Funds, and Pooled Investments.

The Fund's property assets of £2.3 billion are also classed as Level 3. We have assigned a separate significant risk to this class of assets as described at the next page.

#### What did we do?

We undertook specific, additional procedures for complex investment valuations to address the significant risk. For 2024/25 our work included consideration of the following areas, noting that some areas are still subject to the final manager's and partner's review procedures:

- Where fund managers complete control reports, we obtained the reports for all material investments and reviewed qualifications or exceptions that may affect the audit risk and scope, obtaining bridging letters where the period covered is different. No issues that could affect the risk or scope of the audit were identified.
- For private equity and infrastructure, we obtained the most up-to-date financial statements for each investment, and capital statements to the Fund's Financial Statements date. Where these are not at 31 March 2025 (for example, December 2024 year-ends), we utilise indices to compare the expected movement and quantify a 31 March 2025 year-end position. Indices are obtained from EY Markets, which is a reputable source and the preferred source within EY. This is performed to gain additional assurance over year-end balances where audited financial statements are not available at that date. We have considered the audit opinions for the Fund's share of the investment based on its percentage ownership.
- For pooled investments, we tested all material balances to a lower testing threshold and agreed all balances sampled to third party fund managers' reports. For each holding, we obtained the net asset figure per the audited financial statements Fund's percentage ownership and directly from the fund managers. We additionally obtained underlying records from Fund Managers and recalculated valuations using an independent pricing tool.
- We reviewed the basis of valuation for unquoted investments to assess if they are in line with the accounting policy and in accordance with the CIPFA Code of Practice on Local Authority Accounting requirements.

## Our response to significant and fraud audit risks

### Valuation of Complex Assets (continued)

#### What did we do?

#### Impacted balances within the financial statements:

- Level 2 assets: £14.1 billion; and
- Level 3 assets: £7.2 billion.

- We assessed the impact of the timing of the valuation reports for 31 March 2025. Through this work, we identified a number of differences between the Pension Fund recorded balances and the confirmations received from Fund managers. We confirmed this occurred where valuations gains to 31 March 2025 were not reported to the Pension Fund before the unaudited accounts are prepared but are available by the time of the audit of the financial statements. The total differences identified were £66.74 million for private equity, infrastructure and private debt (2022/23: £106.49 million). Management has chosen not to adjust the accounts for the differences, noting that the financial statements are prepared with the best information available at the time of preparation in line with required statutory guidelines. [If the Pension Fund Committee agrees not to adjust the financial statements for the identified difference, an explanation for not doing so should be included in the letter of representation.]

**Impacted balances within the financial statements:**

- Directly held property: £2.34 billion

## Our response to significant and fraud audit risks

### Valuation of Directly Held Property

#### What is the risk?

The Fund has a significant portfolio of directly held property investments.

The valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements.

#### What judgements are we focused on?

Our work in this area focused on ensuring that the assumptions used by the property valuers in relation to the valuation of directly held property were free from material misstatement.

#### What did we do?

We undertook specific, additional procedures for property valuations to address the significant risk. For 2024/25 our work included consideration of the following areas, noting that this is still subject to the final manager's and partner's review procedures :

- We documented and walked through the design and implementation of the controls over the valuation process.
- We obtained the valuation report from the external valuer (Avison Young) and reconciled the valuations provided to those utilized within the financial statements.
- We assessed the qualifications and experience of the external valuer to ensure that they can be relied upon as management's experts.
- We engaged EY Property experts (EY RE) on a sample basis to review and challenge the assumptions used by the external valuer to ensure that they are in line with our expectations (EY RE conclusion is still outstanding at the time of drafting this report due).
- We sample tested additional valuations, testing key asset information used by the valuers in performing their valuation (e.g. yields and revenue costs).

## Our conclusions

Subject to the completion of outstanding procedures:

- Our testing of level 2 and level 3 assets did not identify any significant issues. There were two audit adjustments raised as detailed in Appendix F, relating to timing differences. These both remain uncorrected.
- There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

## Going Concern

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of the ongoing cost of living crisis and inflationary pressures, as well as macroeconomic factors impacting the markets, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Pension Fund and its financial sustainability.

Management's going concern assessment and associated disclosures cover the period following approval of the financial statements, to 31 March 2027.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the Pension Fund has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the Pension Fund's financial position going forward in the financial sustainability section of this report.

We considered this in conjunction with management's assessment on going concern, focusing on:

- The completeness of factors considered in management's going concern assessment.
- The completeness of disclosures in the financial statements.

All information provided by management to support its assessment, including key reports to the Pension Fund and financial plans, were verified to supporting records.

### Our conclusions:

- We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key reports to the Pension Fund Committee and financial planning documentation.
- We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Pension Fund.
- We have no matters to report in respect of our work around going concern or the conclusions reached by the Pension Fund.

## IAS 26 Reporting

The Fund's IAS 26 disclosure shows that the actuarial present value of promised retirement benefits is £18.745 billion as at 31 March 2025 (2024: £21.240 billion), with the fair value of scheme assets disclosed as £31.272 billion (2024: £30.569 billion).

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on the 2023 triennial valuation and takes into account local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2025. We therefore associate an inherent risk to this area.

In order to address this risk, we carried out a range of procedures including:

- Assessing the competence of managements expert, Hymans Robertson;
- Engaging with the NAO's consulting actuary (PwC) and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26;
- Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary; and
- Engaged EY Pensions Specialists to perform a roll-forward calculation for the IAS19 calculation at one of the scheduled bodies, in order to confirm that assumptions and techniques used for IAS 26 modelling is consistent and appropriate.

### Our conclusions:

- We conclude that management experts have sufficient experience and competence for the performed work.
- Internal specialists concluded that the IAS 26 approach applied by the actuary is reasonable.
- We have no matters to report in respect of our work around IAS 26 disclosures in the financial statements.



## Wider Scope and Best Value audit

### Introduction

In June 2021, Audit Scotland and the Accounts Commission published the current Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

### Risk assessment and approach




The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- Financial management.
- Financial sustainability.
- Vision, Leadership and Governance.
- The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the Pension Fund's internal auditors, along with national reports and guidance from regulators and Audit Scotland. The findings from our wider scope work have informed our assessment on Best Value themes in 2024/25.

For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Pension Fund's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

#### Exhibit 4: Our RAG ratings

	<b>Red</b>	Our auditor judgements are RAG rated based on our assessment of the adequacy of the Pension Fund's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area.
	<b>Amber</b>	
	<b>Green</b>	This takes account of both external risks not within the Pension Fund's control and internal risks which can be managed by the Pension Fund, as well as control and process observations made through our audit work.

## Financial Management

### Introduction

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Our focus is therefore on in-year monitoring and reporting arrangements, including the achievement of planned savings, and the Pension Fund's outturn for 2024/25.

### Financial management arrangements

We give consideration to the financial management arrangements in place at the fund through our financial statement audit procedures. No significant matters were identified through the course of our work in this respect. In particular, we considered changes to the internal control environment resulting from the hybrid working arrangements that have been in place since Covid-19, noting that hybrid working and associated procedural changes are embedded and operating as expected.

We additionally review committee member training initiatives and conclude that the Fund's training policy recognises the importance of ensuring that all staff and members charged with financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to allow them to perform their roles.

An external audit recommendation was raised in 2022/23 in relation to approval of journals processes. From follow up discussions with management, this has not yet been fully implemented and therefore remains open. See Appendix E.

### Budget monitoring and approval

The Pension Fund prepares a Fund budget for review and approval by the Pension Fund Committee and Board, and updates on performance against the budget are then presented to the Committee throughout the year on a quarterly basis.

The 2025/26 budget was set in March 2025 at a £0.404m increase in total expenditure, but a £4.79m decrease in net expenditure from 2024/25, which derives mainly from a large bank interest income in the 2025/26 budget of £8.65m (2024/25: £3.86m). This is due to increased cash deposits of approximately £500m, to ensure sufficient funds are held to pay pensions in light of the ongoing reduction in employer contributions income resulting from the revised funding strategy.

### Internal audit scrutiny of financial management arrangements

We have also considered the results of the Pension Fund's Internal Audit findings for the year in relation to financial management. The Internal auditor issued reports in the year in relation to compliance with the General Code of Practice and the Pension Payroll Process. In each case internal audit were able to provide substantial assurance over the arrangements in place, with no open recommendations in place as a result of these audits.

## Fraud prevention arrangements

The Fund participates in the National Fraud Initiative (NFI) exercise through the administering authority, Glasgow City Council. Responsibility for investigating data matches lies with the internal audit function, which is shared across the Council and Pension Fund. A total of 2,773 matches were identified in the exercise for the Pension Fund to investigate, which is an ongoing exercise. 2,528 have been investigated and closed as at the time of the audit.

In addition to NFI, the Fund are also enrolled in the Tell us Once service, which is used to notify Pension Funds of registered deaths, and the LGPS database, which helps to ensure that individuals are not being paid duplicate benefits from different Pension Fund.

The risk of fraud is included on the Pension Fund's risk register, with a series of mitigating controls in place to respond to the risk. The risk register is kept under periodic review and therefore there is robust oversight of fraud prevention arrangements.

### Our conclusions:

- The Pension Fund has established financial management arrangements, and we are satisfied that these are adequate for the management of its financial position.
- No significant matters for improvement in financial management arrangements have been identified by internal audit activity in 2024/25 or as a result of our own audit procedures.
- One audit recommendation was given in the prior year which was revisited during our audit and remains ongoing, see Appendix E.

## Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

The core issue for financial sustainability for the Pension Fund is in ensuring that there are sufficient future assets to fund benefits to members going forward into the future. Therefore, our focus is on effective investment strategies and monitoring.

### The 2023 triennial valuation showed a funding position of 147%, compared with 106% at the 2020 valuation

The Local Government Pension Scheme rules require a fund valuation to be undertaken every three years by an independent actuary. The Fund's most recent triennial valuation was at 31 March 2023, performed by the Fund's actuary, Hymans Robertson. The Fund's valuation showed a funding position of 147%, compared with 106% at the 2020 valuation, which results in significantly lower contribution levels for the Fund from 2024/25.

The value of the Fund increased by 2.3% to £31.3 billion during 2024/25, with investment performance slightly below the benchmark return set for the year.

### At 31 March 2025, the allocation to each Policy Group was within acceptable ranges set by the statement of investment principles

The review of the investment principles relevant for 2024/25 was presented in March 2024 to the Pension Fund Committee and approved. This was performed to ensure that the Fund's allocation of capital to various asset classes is consistent with the key funding aims of positioning employer contributions at an affordable level and being fully funded.

As at 31 March 2025, the allocation to each Policy Group was within the acceptable range set by the current strategy. Consideration is being given by the Investment Panel as to how to better align these investments to the strategy.

### The Fund have a target to become net zero by 2050, in line with the Paris Aligned Investment Initiative (PAII)

Responsible investing has been an area of increased attention within LGPS in recent years. The Pension Fund developed their first socially responsible investment strategy in 2000. The Fund's traditional approach to Responsible Investment has been top-down - ensuring that Environmental, Social and Governance (ESG) concerns in their portfolios are recognised and addressed. Alongside this, a bottom-up approach is being adopted where there is a preference for new investments with a positive ESG criteria.

## The Fund's Direct Impact portfolio places a crucial role in the Fund's climate-strategy targets

The primary objective of the Direct Impact Portfolio (DIP) is identical to the overall investment objective, however there is a secondary objective of adding value through investments with a positive local, economic or ESG (environmental, social, governance) impact. The portfolio is supporting technology and solutions crucial for the transition to a low carbon UK economy.

## The Fund has seen movement in its' member bodies, and this is likely to continue in future years

In 2024/25, the Fund saw transfers in of members and associated assets from a number of other pension funds into Strathclyde Pension Fund, in relation to the Scottish Fire and Rescue Service (SFRS). This totalled £193.37 million of assets and over 1,500 members. This transfer was completed by March 2025.

The Scottish Police Authority (SPA) and Scottish Water, may consider consolidations such as this in the future.

Contrary to consolidations into the Fund, a consultation regarding exit credits has seen the University of Strathclyde (UoS) exit the scheme. The exit occurred after the balance sheet date however it is indicative of a likelihood of other entities, who are financially challenged following UoS's lead, particularly Universities and other small bodies.

### Our conclusions:

- The value of the Fund increased by 2.3% to £31.3 billion during 2024/25, with investment performance at 3.6%, slightly below the benchmark return set for the year of 5.0%.
- The 2023 valuation funding level was 147%, evidencing that the Fund is well-funded.
- The Fund has begun to see movements in its' member bodies as a result of consolidations and exit credits, with further movements expected.

## Vision, Leadership and Governance

This considers the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

### The Annual Governance Statement demonstrates that it has the key requirements for good governance in place

The key aspects of the Pension Fund's governance arrangements are required to be disclosed in the Annual Governance Statement within the financial statements. The Pension Fund concluded that they have obtained assurance that the system of internal control was operating effectively during the year.

We reviewed the governance statement against the requirements outlined in the CIPFA framework for Delivering Good Governance in Local Government, and against our understanding of the Committee's arrangements in the period to 31 March 2025.

We were satisfied that it was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA framework.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an assessment of the financial control environment as part of our planning work and updated our understanding as part of the year end audit. Our work did not identify any significant weaknesses in the systems of internal control relevant to the preparation of the Pension Fund's financial statements.

We have attended each of the Pension Fund Committees during the year and we were satisfied that there was an appropriate level of challenge and scrutiny at meetings, and that management's assessment of compliance is consistent with matters arising at the committee.

### The Fund's risk management policy is supplemented by the risk register and assurance mapping exercise

The Fund has a risk management policy which outlines the risk management strategy for the Fund. This was last updated in March 2025.

The policy is supplemented by the risk register and assurance mapping exercise, which is subject to regular review by senior officers at a six-weekly meeting. New or changing risks are communicated to the Pension Fund Committee in a timely manner.

## The internal audit work carried out in 2024/25 identified no recommendations that remained open at year end

The Pension Fund's Head of Audit and Inspection presented the annual report to the Pension Fund Committee in June 2025. It was noted that the audit plan was completed, subject to ongoing fieldwork, as expected and that in 2024/25 there were no unsatisfactory audit opinions issued.

Internal audit allocated 35 days to fieldwork directly addressing the Pension Fund, covering two reviews:

- Compliance with the General Code of Practice; and
- Pension Payroll Process.

The Pension Fund has disclosed no new significant governance issues that require to be reported as a result of work performed by internal audit. The Annual Governance Statement also highlights results of two significant governance issues relevant to the pension fund that were required to be reported in 2022/23, with nothing since then. The statement concludes that all management actions identified following the incident have been implemented and no further follow up is required.

Internal Audit undertake a follow up on all previous recommendations twice per year. As at March 2025, the Pension Fund had no outstanding internal audit recommendations (2024: one outstanding recommendation).

## Responsible investing

The Pension Fund has been a member of the UN Principles for Responsible Investment (PRI) since 2008. Additionally, the Fund has been a member of the Institutional Investors Group on Climate Change (IIGCC) since 2017, and are a signatory of the FRC UK Stewardship Code, preparing an annual Stewardship Code report disclosing compliance with the 12 principles in the Code.

Responsible investing, including the Fund's socially responsible investment strategy, has been considered in the Financial Sustainability section of this report.

## Transparency of information

Pensions Committee agenda, reports and minutes are published on the Glasgow City Council website. In addition, Pensions Committee meetings are open to members of the public. Despite the Cyber attack on one of Glasgow City Council's servers in June 2025, the pension fund was minorly affected, by a one-week outage of their member SPFO portal and not being able to access committee papers for a few weeks. The committee papers will still be available to the public from the Glasgow City Council website in future, but the pension fund will have their own servers and data protection in place separate to Glasgow City Council.

## Our conclusions:

- The Pension Fund had appropriate Governance arrangements in place throughout 2024/25 and ensured governance activities were held on a routine and timely basis.
- We consider the Governance Statement to be consistent with our findings from our audit.
- There were no identified weaknesses in governance or internal control that were required to be reported within the Annual Governance Statement, and no recommendations were given from Internal Audit.

## Use of Resources to improve outcomes

We consider the Pension Fund's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

The Pension Fund has a well-developed approach in place to monitor and report on investment performance, thus ensuring resources are used in line with key strategic aims.

The Fund achieved a return on investment of 3.6% against a benchmark of 5.0%, missing the benchmark.

The Fund has performed well against their own benchmarks over all time periods, including in the current year. The fund is ranked in the top quartile of local authority funds over the 10, 20 and 25-year time periods.

The total unit costs per member (which encompass investment management, administration and oversight and governance costs) were on a downward trajectory until 2023/24, however have seen a 6% increase in 2024/25. A reduced level of new members compared to prior year means that costs, which are increasing, are split between less members. Therefore, unit costs are higher.

Administration and oversight costs per member increased slightly, mainly as a result of increased membership numbers. Membership grew by 1.4% in 2024/25, which is a reduction in comparison to the 3.6% growth rate in 2023/24. This reduction is largely as a result of the impact on financial constraints in public sector bodies, resulting in reduced recruitment rates.

Meanwhile, investment management expenses have increased by £35 (6%) per member. This is due to an increase in performance management fees due to the increased net assets of the fund.

## The performance of investment managers is monitored through the Investment Advisory Panel

We have considered fund manager performance through review and attendance at the Pension Fund Committee and Board. The performance of investment managers is monitored through the Investment Advisory Panel. Each manager sends a quarterly report outlining performance against benchmarks, which are collated into one report and presented at each meeting. A summary report is then presented to each meeting of the Pensions Committee. In addition to this report, Northern Trust provide a separate quarterly report detailing their conclusions of performance of each manager against benchmark. Managers present at the panel on a rotation basis, so that each manager is presenting to the panel at least once a year.

Where poor performance has been identified, this will be monitored through the Investment Advisory Panel and a recommendation is given to the Chief Investment Officer on suggested actions.

We have concluded that there is an appropriate level of scrutiny of fund manager performance which supports the Fund in complying with their investment principles.

## Our conclusions:

- The Pension Fund has a well-developed approach in place to monitor and report on investment performance.
- The Pension Fund underperformed against benchmark, achieving investment performance of 3.6% against a benchmark of 5.0% and continues to perform above the LGPS average across both three- and five-year periods.
- Robust arrangements are in place to scrutinise the performance of managers.

## Best Value considerations

As auditor to the Pension Fund, we are required to comment on how effectively, in our view, the Pension Fund demonstrates that it meets its Best Value responsibilities.

As we noted in our Annual Audit Plan, the conclusions that we reach on the wider scope areas contribute to this consideration. We expect to develop our understanding of how the Pension Fund meets its Best Value responsibilities over the course of our appointment.

Our assessment in 2024/25 therefore reflects the work conducted to support our wider scope responsibilities, and developed throughout our appointment. Our consideration includes:

- Documentation review and discussions with senior officers;
- Updating our understanding of key sector developments and reporting;
- Our consideration of the Pension Fund's financial planning processes including the most recent annual budget;
- Governance arrangements, including monitoring and scrutiny reports and the Pension Fund's review of its own effectiveness;
- Our assessment of financial monitoring reports and performance reporting to the Pension Fund; and
- Our assessment of performance reporting to the Pension Fund.

### The Pension Fund can demonstrate that it has the key elements needed to deliver Best Value in place

The Pension Fund has reviewed and updated its Strategic Plan by drawing upon its arrangements for public engagement and targeted consultation with key stakeholders.

It has a well-developed Performance Framework in place and we noted evidence of effective scrutiny arrangements throughout the year.

We do, however, note that the Pension Fund's position relies heavily on events and conditions not controllable by the Pension Fund. Management and the committee remain alert to these situations and consider them through regular risk register reviews, thus ensuring that Best Value is provided.

Overall, we concluded that Pension Fund's performance management and financial reporting arrangements allow the Pension Fund to demonstrate the delivery of Best Value.

A photograph of a nurse in a hospital setting. The nurse is a Black woman with short, curly hair, wearing glasses and a pink scrub top. She has a stethoscope around her neck and a name tag that says "RN". She is holding a clipboard and looking down at it. In the background, there is a computer monitor, a clock on the wall, and a poster on the wall.

# Appendices

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## Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

### Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

### Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- Ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.

- Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

### Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

### Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.



## Code of audit practice: Responsibilities (cont.)

### Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- Such financial monitoring and reporting arrangements as may be specified.
- Compliance with any statutory financial requirements and achievement of financial targets.
- Balances and reserves, including strategies about levels and their future use.
- How they plan to deal with uncertainty in the medium and longer term.
- The impact of reporting future policies and foreseeable developments on their financial position.

### Responsibilities for best value, community reporting and performance

Local government bodies have a duty to make arrangements to secure best value. best value is defined as continuous improvement in the performance of the body's functions. In securing best value, the local government body is required to maintain an appropriate balance among:

- The quality of its performance of its functions.
- The cost to the body of that performance.
- The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- Efficiency.
- Effectiveness.
- Economy.
- The need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on best value (2020) requires bodies to demonstrate that they are delivering best value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

**Appointed auditors' responsibilities**

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to audit the accounts and place a certificate (i.e., an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act.

Satisfy themselves, by examination of the accounts and otherwise, that:

- The accounts have been prepared in accordance with all applicable statutory requirements.
- Proper accounting practices have been observed in the preparation of the accounts.
- The body has made proper arrangements for securing best value and is complying with its community reporting duties.

Hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

# B Independence report

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Pension Fund, and its directors and senior management and its affiliates, including all services provided by us and our network to your entity, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## 2024/25 Fees

The Pension Fund's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

As we outlined in our audit planning report, the expected fee for auditor remuneration, set by Audit Scotland, is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the Pension Fund has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. This is the basis for the estimated level of time and skill mix involvement by auditors. If any of the above assumptions prove to be unfounded, we would seek a variation to the agreed fee.

	2024/25	2023/24
<b>Component of fee:</b>		
▪ Auditor remuneration - expected fee	£96,970	£93,060
▪ Auditor remuneration - scope variation (Note 1)	£TBC	£34,280
<b>Audit Scotland fixed charges:</b>		
▪ Audit support costs	£2,440	£3,390
<b>Sectoral price cap</b>	(£26,430)	(£24,840)
<b>Total fee</b>	<b>£72,980</b>	<b>£105,890</b>

## 2024/25 Fees (cont.)

Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Audit Scotland Code of Practice. Where auditors identify that additional work is required because of local risks and circumstances in a body, the auditor may negotiate an increase to auditor remuneration by up to 10% of auditor remuneration independently with management, or above 10% with approval from Audit Scotland.

### Note 1

For our 2023/24 audit there were two recurring additional elements of audit work, as agreed with both management and Audit Scotland as part of 2022/23 audit cycle. These areas of work relate to additional procedures required to review complex, hard to value assets held by the Fund (reduced fee variation agreed for this area in 2023/24), and additional work required from changes to our overall risk assessment of the Fund, in line with the requirements of ISA 315. In 2023/24 additional work has also been required to test the data submitted to actuaries as part of 2023 triennial valuation procedures, required to support our IAS19 reporting procedures to auditors of scheduled bodies in the pension fund this year. Another element of scope variation for 2023/24 audit related to the objection to the financial statements. Total fee variation for 2023/24 audit procedures amounted to £34,280.

We are currently in the process of agreeing the scope variation with Audit Scotland and management and will report the final figures as part of our 2024/25 planning. Additional fee requested to date amounted to £43,698. The basis is consistent with the fees agreed in the prior year, adjusted for inflation and 24/25 current year specific audit circumstances.



## Required communications

We have detailed below the communications that we must provide to the Pension Fund.

		Our reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Pension Fund Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) - audit to be undertaken in accordance with the Code of Audit Practice.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan - March 2025
Reporting and audit approach	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified.  When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan - March 2025. No KAM identified.
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</li> <li>▶ Significant difficulties, if any, encountered during the audit.</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management.</li> <li>▶ Written representations that we are seeking.</li> <li>▶ Expected modifications to the audit report.</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> <li>▶ Findings and issues regarding the opening balance on initial audits.</li> </ul>	This Annual Audit Report - September 2025.
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty.</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements.</li> <li>▶ The adequacy of related disclosures in the financial statements.</li> </ul>	This Annual Audit Report - September 2025.



## Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"><li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li><li>▶ The effect of uncorrected misstatements related to prior periods.</li><li>▶ A request that any uncorrected misstatement be corrected.</li><li>▶ Corrected misstatements that are significant.</li><li>▶ Material misstatements corrected by management.</li></ul>	This Annual Audit Report - September 2025.
Fraud	<ul style="list-style-type: none"><li>▶ Enquiries of the Pension Fund Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li><li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li><li>▶ A discussion of any other matters related to fraud.</li></ul>	This Annual Audit Report - September 2025.
Internal controls	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report - September 2025.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"><li>▶ Non-disclosure by management</li><li>▶ Inappropriate authorisation and approval of transactions</li><li>▶ Disagreement over disclosures</li><li>▶ Non-compliance with laws and regulations</li><li>▶ Difficulty in identifying the party that ultimately controls the entity</li></ul>	No issues to report.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"><li>▶ The principal threats</li><li>▶ Safeguards adopted and their effectiveness</li><li>▶ An overall assessment of threats and safeguards</li><li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li></ul>	Annual Audit Plan and this Annual Audit Report.

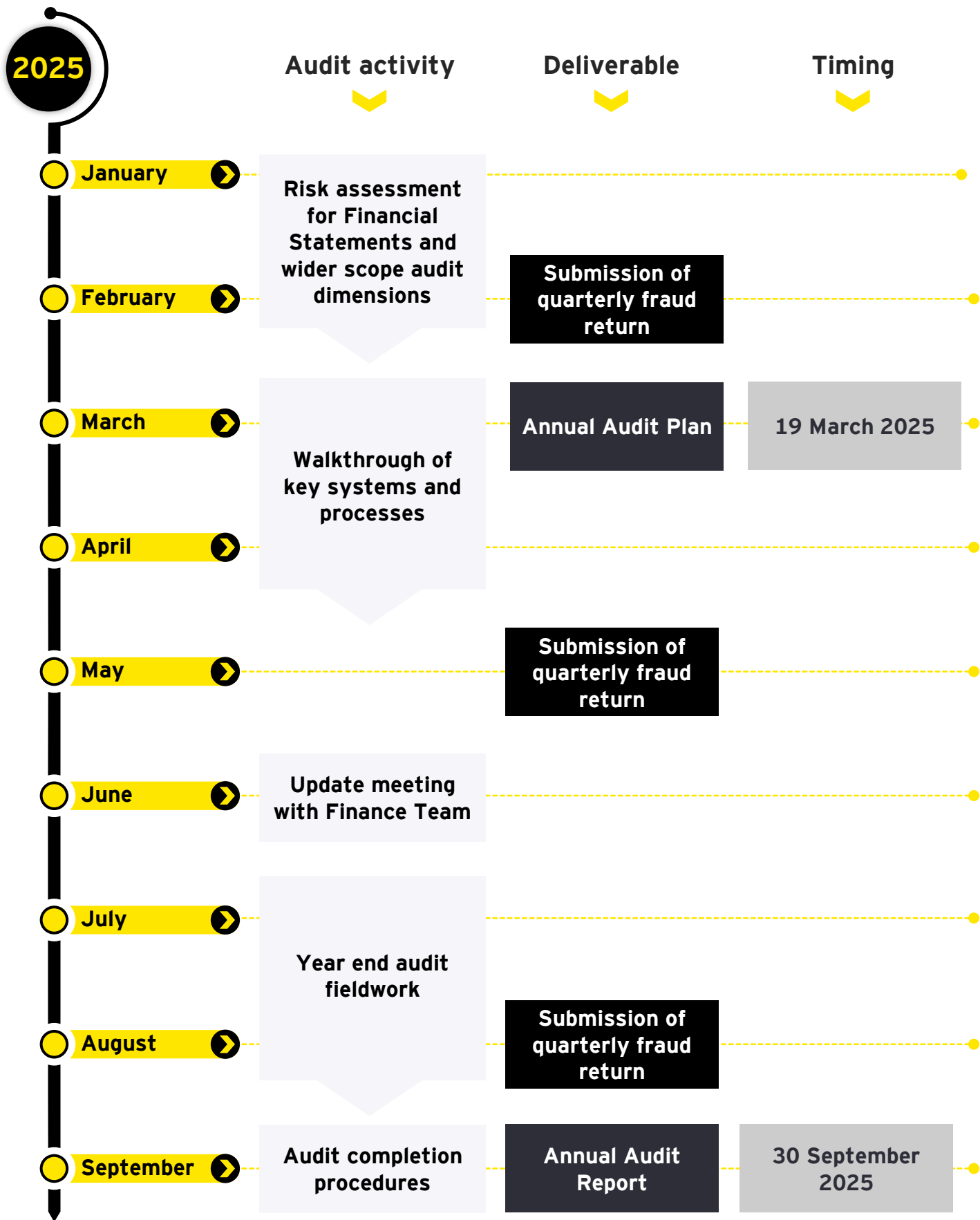


## Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"><li>▶ Management's refusal for us to request confirmations.</li><li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li></ul>	No issues to report.
Representations	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report - September 2025.
Consideration of laws and regulations	<ul style="list-style-type: none"><li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off.</li><li>▶ Enquiry of the Pension Fund Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Pension Fund Committee may be aware of.</li></ul>	No issues to report.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report - September 2025.
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report - September 2025.
Best value and wider scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This Annual Audit Report - September 2025.
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	Not applicable.



# Timeline of communication and deliverables





## Follow up of prior year recommendations

This appendix sets out the recommendations that were made in 2023/24, along with our assessment of progress.

### Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
1.	<p><b>Journals</b></p> <p>The majority of journals posted by the finance team are prepared and informally approved by the Finance Manager and posted by the Financial Accountant. No formal journal approval process is in place.</p> <p>We consider this to be a weakness in internal controls, as this process demonstrates a lack of segregation of duties or formal journal approval and increases the risk of management override.</p> <p>Management should review the journal posting and approval process and consider implementing a formal policy.</p> <p>Grade 1</p>	<p><b>Response:</b></p> <p>The Pension Fund has plans in place for the Finance Manager to produce a register of journals posted at each month end which will be sent to the Director for review.</p> <p><b>Responsible officer:</b></p> <p>Finance Manager</p> <p><b>Implementation date:</b></p> <p>By 31 March 2025</p>	<p><b>In progress:</b> From current year discussions with management and our current year journals process, we note that a formal approval policy has not been implemented.</p> <p>Due to staff shortages and sickness, the Finance Manager often works independently and is in control of both creating and posting/reviewing journals.</p> <p>This should be reviewed ahead of the 2025/26 audit.</p> <p><b>Management response:</b></p> <p>A process has been implemented as agreed, but it did not function as intended during 2024/25 due to staff absence. The process will be improved for 2025/26.</p>

# F

## Adjusted and unadjusted audit differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements.

### Unadjusted differences

No.	Description	Balance Sheet Impact / £000's	Income and Expenditure Impact / £000's
1	Undervaluation of Private Equity, Infrastructure and Private Debt	DR Assets £42.43 million	CR Income £42.43 million
2	Undervaluation of DIPs investments (Private Equity)	DR Assets £24.31 million	CR Income £24.31 million
Cumulative effect of uncorrected misstatements before turnaround effect			CR Income £66.74 million
Turnaround effect. See Note 1 below.			CR Income 106.488 million
Cumulative effect of uncorrected misstatements, after turnaround effect			CR Income 173.228 million

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period.

### Disclosure misstatements that have not yet been corrected

No.	Note	Description
1	Fair Value Hierarchy	Pooled investment vehicles (PIV) are classified as level 2 within the Fund's fair value hierarchy. However, one PIV valued at £578 million is classified as a level 3 investment by the Fund manager and should therefore be classified as level 3 within the Fund's fair value hierarchy.
2	Accounts comments	There were a number of narrative updates/amendments to be made as a result of Manager and Partner review of the financial statements. We await v2 of the financial statements with these amendments made.



## Additional audit information

### Introduction

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities under auditing standards

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Read other information contained in the financial statements, the Pension Fund Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

### Purpose and evaluation of materiality

- For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- Materiality determines the locations at which we conduct audit procedures, and the level of work performed on individual account balances and financial statement disclosures.
- The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



## Additional audit information (cont.)

### Audit Quality Framework/Annual Audit Quality Report

- Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: [Quality of public audit in Scotland: Annual report 2024/25 | Audit Scotland](#)
- EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: [https://www.ey.com/en\\_uk/about-us/transparency-report](https://www.ey.com/en_uk/about-us/transparency-report)

### This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of Strathclyde Pension Fund for financial years 2022/23 to 2026/27.

This report is for the benefit of the Pension Fund and is made available to the Accounts Commission and Audit Scotland (together “the Recipients”).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

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If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email [sreid2@uk.ey.com](mailto:sreid2@uk.ey.com). If you prefer an alternative route, please contact Anna Anthony, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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