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Dear Claire

Understanding how the Pensions Committee gains assurance from management

Thank you for your letter dated 23 July 2026.

On behalf of the Strathclyde Pension Fund (SPF) Committee, I would respond as follows.

1) How does the Pensions Committee, as 'those charged with governance' at the Strathclyde Pension Fund exercise oversight of management's processes in relation to:

- **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**

Internal Audit is an independent appraisal function within Glasgow City Council (the Council), the administering authority. The objectives of Internal Audit (taken from the Audit Charter) are to:

- examine and evaluate internal control systems and governance arrangements within the Council, and therefore the Strathclyde Pension Fund;
- give assurances to elected Members and senior officials on the adequacy and robustness of these systems; and
- assist elected Members and officers of the Council in the effective discharge of their responsibilities.

Internal Audit provides the SPF Committee with an annual audit plan, annual audit report and annual governance statement in addition to regular reports on specific assurance reviews.

The SPF Committee also receives the external audit annual audit plan and annual audit report prior to approving the financial statements for signature.

- **identifying and responding to risks of fraud in the Strathclyde Pension Fund, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**

Glasgow City Council, including SPF, is a long-term participant in the National Fraud Initiative (NFI). A summary of progress on NFI in respect of SPF is included in the Internal Audit Annual Report.

- **communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Pension Fund code of conduct);**

As SPF is part of Glasgow City Council (GCC), all SPF employees are required to adhere to the GCC Code of Conduct for Employees. Updating, communicating and monitoring are largely carried out at a corporate level.

- **encouraging employees to report their concerns about fraud; and**
GCC Internal Audit maintains a Whistleblowing hotline which is promoted through the GCC intranet, *Connect*.

- **communicating to you the processes for identifying and responding to fraud or error?**

This is covered in Internal Audit's annual audit plan and annual audit report.

2) How does the Pensions Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

This is covered in Internal Audit's annual audit plan and annual audit report.

3) Is the Committee aware of any:

- **breaches of, or deficiencies in, internal control; and**
- **actual, suspected or alleged frauds during 2025/26?**

Glasgow City Council's Head of Audit and Inspection has confirmed that there are no new significant governance issues that require to be reported as a result of the planned assurance work undertaken by Internal Audit at the Strathclyde Pension Fund in 2025/26.

No frauds relating to the Pension Fund have been identified other than through NFI which routinely identifies data inconsistencies which may involve fraud but which may also have arisen through error.

4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?

The committee recognises that it has fiduciary duties and responsibilities towards pension scheme members and participating employers that are analogous to those holding the office of trustee in the private sector. In light of that, every reasonable effort is made to ensure that financial and operating targets are achieved. There is an acceptance, however, that this will not always be possible. So no undue pressure exists. In particular, SPF's financial targets are essentially long-term in nature, so not subject to short-term organisational pressure.

5) How does the Pensions Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2025/26?

Regular monitoring reports provide assurance to the SPF committee regarding regulatory compliance.

The SPF Pension Board has responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. Committee reports are also considered by the Board which meets alongside the committee.

Certain people are required to report breaches of the law to the Pensions Regulator (TPR) where they have reasonable cause to believe that: a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

The reporting requirement applies to: scheme managers, members of pension boards, any person who is otherwise involved in the administration of the scheme, employers, professional advisers including auditors, actuaries, legal advisers and fund managers, and any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

All breaches of the regulations which are identified are logged within SPFO.
One breach which required to be reported to TPR occurred during 2025/26.

One employer (on behalf of itself and another associated employer) advised SPF that it had reported a breach of the regulations to TPR. The breach related to certain payments which the employers had been making to employees for many years which were not treated as pensionable but which, based on KC's opinion, should be treated as pensionable under the LGPS regulations. Shortly after the year end a joint report was submitted to TPR by SPF and 2 other Scottish LGPS Scheme Managers. SPF is working with the employers and with the two other scheme managers, to remedy the situation, though this will take many months to resolve. Remediation, to put all affected members in the position they would have been in had the payments been treated as pensionable, may involve: payment to SPF of additional employer and/or member contributions; adjustment of benefits currently in payment; and additional liabilities in respect of those benefits and benefits accrued by the employers' members but not yet in payment. SPF is not yet in a position to quantify or estimate those impacts, but they are not expected to be material.

6) Is the Pensions Committee aware of any actual or potential litigation or claims that would affect the financial statements?

No.

7) How does the Pensions Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

SPF is a statutory scheme with liabilities stretching decades into the future and long-term investments which are more than sufficient to fund those liabilities.

The funding position is formally assessed every 3 years in an actuarial valuation. The actuary reports results to the SPF Committee. During 2023/24 the actuary reported a funding surplus of **£8.9 bn**.

The SPF Committee takes further assurance from regular monitoring reports on investment performance, administration, risk, and cash-flow (which confirms availability of shorter-term liquidity).

A formal assessment of SPF's Going Concern status has been submitted by SPF management as part of the supporting papers for the 2025/26 Annual Report and Financial Statements.

SPF is not aware of any proposal to discontinue or transfer the services it provides to another entity. There is no evident threat to the SPF's status as a going concern.

8) What does the Pensions Committee consider to be the related parties that are significant to Strathclyde Pension Fund and what is its understanding of the relationships and transactions with those related parties?

The only significant related party is Glasgow City Council (GCC).

SPF is part of GCC and uses and relies on a number of the Council systems, processes and controls.

These include the Council's SAP-based financial system which is used for reporting and for some transaction processing.

However, SPF also has separate governance, accounting, and audit arrangements from GCC.

Investment management and custody arrangements are separate from those of GCC.

SPF also maintains its own, separate bank accounts and has its own pensions system for member data management and pensions payroll calculation and payment. This is now hosted externally to GCC.

SPF officers are employees of GCC. All salaries and other administration costs incurred are re-charged by GCC to SPF.

GCC is a contributing employer in SPF. Contributions received from GCC and benefits paid on its behalf are shown separately in a note to the financial statements.

9) Does the Pensions Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?

No.

Yours sincerely

Councillor Richard Bell
Convener
Stratclyde Pension Fund Committee