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# Strathclyde Pension Fund

[Provisional] Annual  
Audit Plan  
Year ending 31 March  
2026

18 March 2026



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## About this report

This plan has been prepared in accordance with Terms of Appointment Letter, through which the Accounts Commission and Controller of Audit 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, 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

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## Purpose of our plan

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

This [provisional] Annual Audit Plan, prepared for the benefit of management and the Pension Fund Committee, sets out our proposed audit approach for the audit of the financial statements for the year ending 31 March 2026. In preparing this [provisional] plan, we have developed our understanding of the organisation through:

- regular discussions with management,
- review of key documentation and Pension Fund committee reports;
- our understanding of the environment in which the Pension Fund is currently operating; and
- our knowledge of the Pension Fund based on information gathered in prior years.

Our audit quality ambition is to consistently deliver high-quality audits that serve the public interest. A key objective of our 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, including observations around where the Pension Fund employs best practice and where processes can be improved. In 2025/26, this will include evaluating the Pension Fund's progress against the recommendation made as part of the 2024/25 external audit, being an outstanding recommendation from the 2022/23 and 2023/24 external audits.

We use data insights to form our audit recommendations to support the Pension Fund in improving its practices around financial management and control, and in aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

This Annual Audit Plan is prepared on a provisional basis and is to be presented to the Pension Fund Committee in March 2026. After consideration by the Committee, the finalised plan will be provided to Audit Scotland and published on their website.

## Our key contacts:

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## Scope and responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the Pension Fund and the auditor, more details of which are provided in Appendix A.

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## Independence

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. Further information is available in Appendix B.

## Financial Statements audit

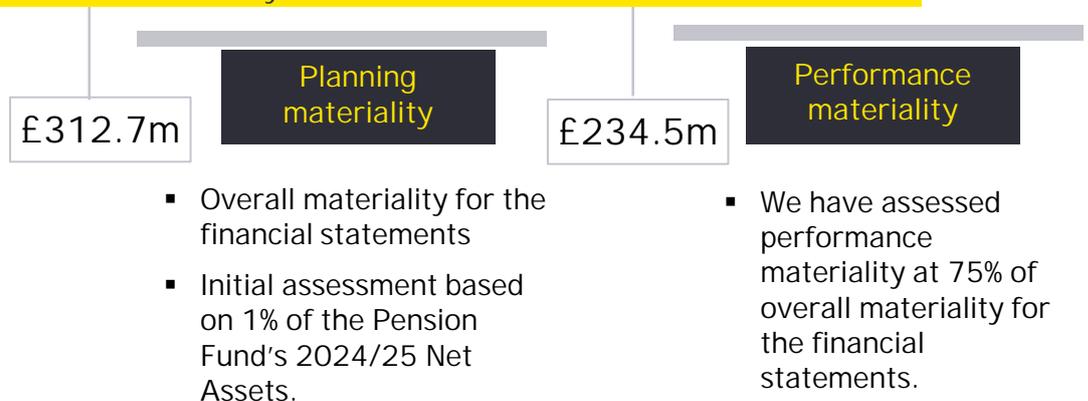
We are responsible for conducting an audit of the Pension Fund's financial statements. We provide an opinion as to:

- whether they give a true and fair view of the financial transactions of the fund during the year ended 31 March 2026 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2025/26 CIPFA Code of Accounting Practice; and
- 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 are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. Our key considerations and materiality values are set out in Exhibit 1, below.

### Exhibit 1: Materiality Assessment in 2025/26



We have set our reporting threshold at £15.6 million. This is the level of error at which we will report to the Pension Fund Committee.

Based on our understanding of the expectations of financial statement users and our own professional judgement, we apply a lower materiality level to key management personnel disclosure. We apply professional judgement to consider the materiality of Related Party Transactions to both parties.

## Wider Scope and Best Value audit

As a public sector auditor, our responsibilities extend beyond the audit of the financial statements. The Code of Audit Practice (2021) requires auditors to consider the arrangements by the Pension Fund and the Accountable Officer to meet their Best Value obligations as part of our proportionate and risk-based wider scope audit work.

Wider scope audit requires consideration of:

- 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.

Best Value considerations will be integrated with our wider scope annual audit work. We will report on how the Pension Fund demonstrates that it has Best Value arrangements in place to secure continuous improvement.

## Exhibit 2: Summary of significant risks identified for the audit in 2025/26

Three significant risks, including fraud risks, impacting the audit of the financial statements, have been identified with further details included in section 3.

Risk/area of focus	Risk type	Estimate Category	Change from PY	Details
1. Risk of fraud through management override of control	Fraud risk	N/A	No change in risk or focus	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
2. Valuation of complex investments	Significant risk	Higher	No change in risk or focus	We have identified valuation of complex assets as a significant risk reflecting the complexity of this area and the fact that around 75% of net financial assets in the 2024/25 financial statements were classified as Level 2 and Level 3 investments, meaning there are no publicly quoted prices available for these types of investments in an active market.
3. Valuation of property, plant and equipment	Significant risk	Higher	No change in risk or focus	The Fund has a significant portfolio of directly held property investments (£2.3 billion as at 31 March 2025). 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.
3. IAS 26 Reporting	Higher inherent risk	Higher	No change in risk or focus	The Fund's IAS 26 disclosure at 31 March 2025 reports retirement benefit liabilities of £18.7 billion and scheme assets of £31.2 billion, based on complex actuarial assumptions by Hymans Robertson. Due to the judgement involved, this area carries inherent risk and is subject to detailed audit and specialist review to ensure IAS 26 compliance.

#### Exhibit 4: Summary of areas of audit focus in relation to the wider scope dimensions

Under the Code of Audit Practice, in addition to financial statement significant risks, auditors are required to identify significant risks within the wider scope dimensions as part of our planning risk assessment. We consider these risks, identified as “areas of wider scope audit focus” below, to be areas where we expect to direct most of our audit effort, based on:

- our risk assessment at the planning stage; and
- the identification of any national areas of risk within Audit Scotland’s annual planning guidance.

Any changes in this assessment will be communicated to the Pension Fund Committee. We refer to these areas within Section 4 as “areas of audit focus”:

Area of focus	Change from PY	Details
1. Financial Management: Journals approval process	No change in area of audit focus	The 2024/25 Annual Audit Report found that the Fund has effective financial management arrangements and no significant controls weaknesses in its systems. The only outstanding issues relates to one recommendation from 2022/23, which has been raised again with management. Although a new journal-processing control was introduced, it did not operate as intended during 2024/25 due to staff absence, but improvements are expected for 2025/26.
2. Financial sustainability: Funding resilience	No change in area of audit focus	The Fund’s Value rose by 2.3% to £31.27 billion in 2024/25, though investment performance of +3.6% fell short of the +5.0% benchmark. Despite ongoing economic and geopolitical uncertainty, the fund remains financially stable, as confirmed in the 2024/25 Annual Audit Report. To support long-term resilience, a revised strategy agreed in March 2024 introduced a modest shift from equities toward protection assets, reflecting the Fund’s strong current funding position.

Exhibit 4: Summary of areas of audit focus in relation to the wider scope dimensions continued

Area of focus	Change from PY	Details
3. Vision, Leadership and Governance: strong governance	No change in area of audit focus	Strathclyde Pension Fund is administered by Glasgow City Council, with governance delegated to the Executive Director of Finance and overseen by the Pension Fund Committee, supported by the Pension Fund Board. The 2024/25 Annual Audit Report found strong governance, effective scrutiny, and sound decision making. The fund continues to engage in anti-fraud activities through NFI, Tell Us Once, and the LGPS database, with fraud risk actively monitored on the risk register and assurance mapping, with new or emerging risks promptly reported to the Committee.
4. Use of resources: Sustainability	No change in area of audit focus	The Funds performance continues to be influenced by market conditions and wider geopolitical event, though net assets still rose by ~£0.7 billion in 2024/25, delivering a +3.6% return against a +5.0% benchmark. Audit Scotland has highlighted the national climate change obligations placed on public bodies, so the Fund's climate strategy and related disclosures will be reviewed as part of the audit.



# Financial Statements: Our approach and assessment of significant risks

## Introduction

The publication of the annual financial statements allow the Pension Fund to demonstrate accountability for, and its performance in the use of its resources.

They are prepared in accordance with proper accounting practice, which is represented by the 2025/26 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”).

## Risk assessment and approach

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 fund during the year ended 31 March 2026 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2025/26 CIPFA Code of Accounting Practice; and
- 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 by the Pension Fund along with its financial statements.

## Other Statutory Information

The management commentary and narrative reporting within the financial statements continues to be an area of increased scrutiny as a result of rising stakeholder expectations, including continuing interest by the Financial Reporting Council.

## Audit Approach

For 2025/26, we will continue to follow a predominantly 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.

We will adopt a “data first” approach across all stages of the audit. We integrate technology into our audits to improve the way we are able to analyse and interact with your data, driving both audit quality and the insight that we can offer your Finance Team and Pension Fund Committee.

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 regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the financial statements;
- reading other information contained in the financial statements to form an assessment, including that the annual report is fair, balanced and understandable; and
- 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.

## Confirmation of independence

Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We rigorously maintain auditor independence. Further information is available in Appendix B, where we confirm that our procedures are complete.

## Materiality

For planning purposes, materiality for 2025/26 has been set at £312.7 million (2024/25: £312.7 million). This represents 1% (2024/25: 1%) of the Pension Fund's net assets.

Materiality will be reassessed throughout the audit process, including where errors are identified, and will be communicated to the Pension Fund Committee within our Annual Audit Report.

Our assessment concluded that net assets remain the most appropriate basis for determining planning materiality for the Pension Fund. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations.

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider all relevant factors that could drive materiality for the users of the financial statements. We note that specific materiality is applied to the disclosure notes of Management Personnel and Related Parties separately. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

## Exhibit 5: Materiality

Element	Explanation	Value
Planning materiality	<ul style="list-style-type: none"> <li>The amount over which we anticipate misstatements would influence to economic decisions of a user of the financial statements.</li> <li>This represents 1% (2024/25: 1%) of the Pension Fund's prior year net assets.</li> </ul>	£312.7million (2024/25: £312.7 million)
Performance materiality	<ul style="list-style-type: none"> <li>Materiality at an individual account balance, which is set to reduce the risk that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an acceptably low level.</li> <li>We have set it at 75% (2024/25: 75%) of planning materiality</li> </ul>	£234.2 million (2024/25: £234.2 million)
Reporting level	<ul style="list-style-type: none"> <li>The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.</li> <li>This is set at 5% of planning materiality. In 2024/25, this was set at £15.6 million (5% of Planning Materiality).</li> </ul>	£15.6 million (2024/25: £15.6 million)

## Our response to significant risks

### Introduction

Auditing standards require us to make communications to those charged with governance throughout the audit. At Strathclyde Pension Fund, we have agreed that these communications will be to the Pension Fund Committee. The financial statements and our Annual Audit Report will also be reported to the Pension Fund.

One of the key purposes of our Annual Audit Plan is to communicate our assessment of the risk of material misstatement in the financial statements.

We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

We set out in the following sections the significant risks (including fraud risks denoted by \*) that we have identified for the audit, along with the rationale and expected audit approach. We have not identified any specific areas where management override will manifest as a significant fraud risk, however we will continue to consider this across the financial statements throughout the audit

The risks identified may change to reflect any significant findings or subsequent issues we identify during the audit. We will provide an update to the Pension Fund Committee if our assessment changes significantly during the audit process.

## 1. Risk of fraud through management override of control\*

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to the fraud risk on every audit engagement.

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.

### Our response: Key areas of challenge and professional judgement

We will:

- inquire of management about risks of fraud and the controls put in place to address those risks;
- understand the oversight given by those charged with governance of management's processes over fraud;
- consider the effectiveness of management's controls designed to address the risk of fraud; and

We will perform mandatory procedures regardless of specifically identified fraud risks, including:

- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, including year-end investment asset journals;
- assessing accounting estimates for evidence of management bias; and
- evaluating the business rationale for significant unusual transactions.

We will use our data analytics capabilities to assist with our work. We will consider whether we need to perform any other specific audit procedures throughout the audit.

## 2. Valuation of complex investments

Impacted balances within the 2024/25 financial statements:

- Level 2 Assets: £14.1 billion
- Level 3 Assets: £7.2 billion

### What is the risk?

As of 31 March 2025, the Fund held net investments of £28.7 billion, of which 74% (£21.3 billion) were classified as Level 2 and Level 3 investments, meaning there are no publicly quoted prices available for these types of investments in an active market. We have therefore assigned a significant risk to the valuation of Private Equity, Infrastructure Funds, Property Funds and Pooled Investments Vehicles.

The Fund's property assets of £2.3 billion as at 31 March 2025 are also classed as Level 3. We have assigned a separate significant risk to this class of assets as described at the next page.

### Our response: Key areas of challenge and professional judgement

We will:

- Review relevant controls' reports for qualifications or exceptions that may affect the audit risk and scope and obtain bridging letters for the period between report dates and financial statement dates where they differ.
- On a sample basis, we will select Fund managers, and we will obtain the most up to date Financial Statements for each investment/Fund, and the capital statement for the date of the Financial Statements along with the capital statement as of 31 March 2026. We will review the audit opinions for the fund to identify any possible issues with the valuation in the year and recalculate the Fund's share of the investment based on its percentage ownership.
- Review the basis of the valuation for unquoted investments to be satisfied that it is in line with the Fund's accounting policy and CIPFA requirements.
- Assess the impact of any scope and differences arising from the timing of valuation reports for 31 March 2026 on the financial statements, including the turnaround impact from prior year unadjusted differences.

### 3. Valuation of Directly Held Properties

What is the risk?

As of 31 March 2025, the Fund held £2.3 billion as directly held property, which is valued annually by an external valuer and classified as Level 3 assets.

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.

We will:

- Assess the competence of management experts;
- Review the basis of valuation for properties and assessing the appropriateness of the valuation methods used;
- Engage our own internal valuation specialists (EY Real Estates) to review a sample of properties;
- Perform analytical procedures and checking the valuation output for reasonableness against our own expectations;
- Sample test additional valuations, testing key asset information used by the valuers in performing their valuation (e.g. yields and revenue costs).

Impacted balances within the 2024/25 financial statements:

- Directly Held Properties: £2.3 billion

## 4. IAS 26 Reporting

### Audit requirements

The Fund disclose the actuarial present value of promised retirement benefits and the fair value of scheme assets in line with IAS 26 reporting requirements.

The Fund's IAS 26 disclosure as at 31 March 2025 shows that the actuarial present value of promised retirement benefits was £18.745 billion as at 31 March 2025, with the fair value of scheme assets disclosed as £31.271 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 regarding changes in 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.

### Our work on the IAS 26 disclosure requires us to:

- Assess the competence of managements expert, Hymans Robertson;
- Engage 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;
- Ensure that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary; and
- Engage EY Pensions Specialists to perform a roll-forward calculation for the IAS 19 calculation at one of the scheduled bodies.

A photograph of two women in a professional setting. The woman on the left has dark curly hair and is wearing a light blue button-down shirt, smiling and gesturing with her hands. The woman on the right has short grey hair and is wearing a red jacket, looking towards the first woman. The background is a blurred office interior with warm lighting.

# Best Value and Wider Scope

## Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised 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 the public sector in Scotland:

- Financial management;
- Financial sustainability;
- Vision, Leadership and Governance; and
- Use of resources to improve outcomes.

The Code of Audit Practice requires that, in addition to financial statement significant risks, auditors are required to identify significant risks within the wider scope dimensions as part of our planning risk assessment. We consider these risks, identified as “areas of wider scope audit focus” below, to be areas where we expect to direct most of our audit effort, based on:

- our risk assessment at the planning stage, including consideration of Audit Scotland’s Code of Audit Practice Supplementary Guidance; and
- the identification of any national areas of risk within Audit Scotland’s annual planning guidance.

Any changes in this assessment will be communicated to the Pension Fund Committee.

Our wider scope audit work, including follow up of prior year findings, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

No new areas of focus have been highlighted within the 2025/26 Audit Scotland planning guidance.

## Best Value

The Code explains the arrangements for the audit of Best Value. The Scottish Public Finance Manual (SPFM) explains that Accountable Officers each have a specific responsibility to ensure that arrangements have been made to secure Best Value.

Ministerial guidance to [Accountable Officers for public bodies](#) sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

The administering authority (Glasgow City Council) has responsibility for ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a statutory duty to make arrangements to secure Best Value.

The outcome of audit work on the administering authority's Best Value arrangements will be reported in the Glasgow City Council annual audit report. Any findings directly applicable to the Fund communicated to us by the auditor of the Council will be reported in the 2025/26 annual audit report.

## 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. Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

The 2024/25 Annual Audit Report concluded that the Fund has appropriate and effective financial management arrangements in place which includes comprehensive reporting of investment performance. A review of systems did not identify any significant control weaknesses which could affect the Fund's ability to report financial and other relevant data in financial systems.

The only recommendation in the 2024/25 Annual Audit Report relates to the journal process and concerns one action still outstanding from the 2022/23 recommendations, which has been reiterated to management. Although a revised process was implemented, most journals continue to be prepared and informally approved by the Finance Manager and posted by the Financial Accountant, and the intended control did not operate effectively in 2024/25 due to staff absence. Improvements to the journal process are expected for 2025/26.

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 2,775 matches were identified so far in 2025/26 for the Pension Fund to investigate, which remains an ongoing exercise. In addition to NFI, the Fund also use 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.

### Our response

Our assessment of the Pension Fund's financial management arrangements, will focus on:

- whether there are sufficient financial skills and capacity within the finance function;
- the Fund's participation and progress in the National Fraud Initiative and other counter fraud arrangements;
- arrangements to ensure systems of internal control are operating effectively, drawing upon our ISA (UK) 315 procedures;
- financial monitoring arrangements, including clarity about any changes to budgets and projections during the year, and will report on the Fund's arrangements in respect of financial monitoring;
- we will follow up on progress made in the highlighted improvement area in the 2024/25 Annual Audit Report.

## 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.

Within our 2024/25 Audit Report, we noted that 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. The Fund generated a return of 3.6% against a benchmark of 5.0%. The Fund's funding position is strong, although it faces significant uncertainty due to the current economic climate.

Significant geopolitical uncertainty remains in the medium term on market returns. Current slow economic growth also presents risks to the overall position of the Fund.

The Annual Audit Report 2024/25 concluded that given the healthy net asset position as at 31 March 2025, there was no concern about the financial stability of the Fund. However, in the current economic climate the Fund will need to maintain focus on the viability of the funding strategy. A revised strategy was agreed in a meeting of Pension Fund Committee on March 2024. It was agreed that a modest reduction in equity risk, in favour of protection assets, would be prudent when the funding level is so strong.

The Pension Fund prepares its accounts on a going concern basis unless the Scottish Government signals dissolution without service transfer. Under ISA 570, as applied by Practice Note 10, auditors must consider whether any material uncertainty exists that requires disclosure. The 2025/26 CIPFA Code sets out the accounting requirements for public sector bodies that apply a continuation of services assumption in the preparation of the financial statements. Under this accounting framework, management's assessment may focus on whether there is any realistic prospect of services or funding stopping, meaning material uncertainties are expected to be rare.

### Our response

Our assessment of the Pension Fund's financial sustainability arrangements, will focus on:

- Review of financial reporting to Pension Board, including management accounts and budgets/medium term financial planning, financial strategy going forward;
- Discussions with pension fund manager and/or section 95 officer;
- Assessment of the movement in the Fund's net assets since the triennial valuation as of 31st March 2023, published in March 2025, and assess progress in delivering the Fund's investment strategy; and
- Review of investment strategy for the Fund and investment performance reporting.
- challenge management's identification of events or conditions impacting going concern;

## Vision, leadership and governance

Vision, leadership and governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Glasgow City Council is the administering authority for Strathclyde Pension Fund. The Council has delegated responsibility for governance to the Executive Director of Finance. The Pension Fund Committee is the main decision-making body of the Fund. It is supported by the Pension Board and is responsible for establishing arrangements that ensure the proper conduct of the affairs of the Fund. It is also responsible for ensuring that decisions are made within the terms of the Local Government Pension Scheme.

The 2024/25 Annual Audit Report concluded that the Fund has appropriate arrangements to support good governance and accountability. There is effective scrutiny, challenge and informed decision making by the Pension Fund committee.

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.

### Our response

Our assessment of the Pension Fund's arrangements in 2025/26 will focus on:

- consideration of the disclosures within the Governance Statement, including any findings from the annual review of the effectiveness of the system of internal control and the quality of data used throughout the organisation;
- review of the coverage of internal audit arrangements during 2025/26, including any significant findings identified and the work done to address issues identified;
- consideration of whether the Pension Fund demonstrates adequate progress against external and internal audit recommendations to ensure they are implemented in a timely manner;
- consideration of the quality of reporting and information provided to key decision makers, and evidence of effective challenge and scrutiny; and
- whether arrangements are in place for ensuring compliance with regulatory requirements, addressing requests from the regulator and reporting as applicable.

## Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

We recognise that the Pension Fund's performance continues to be impacted by changing behaviours following the pandemic on financial markets and investments, and indirectly by the various geopolitical world events (conflict in Ukraine, US Tariffs). The net assets position in 2024/25 increased by £0.7 billion, and the Fund generated a return of +3.6% against a benchmark of +5.0%.

Audit Scotland has identified the national target in relation to tackling climate change. There are specific legal responsibilities placed on public bodies to contribute to reducing greenhouse gas emissions, to adapt to climate change, to act sustainably and to report on progress. As a result, we will consider the Pension Fund's strategy for climate change, alongside any narrative reporting in the financial statements.

### Our response

Our work in this area will include consideration of:

- Performance, including comparative performance and return on investment;
- Trends of other expenses;
- the Pension Fund's climate change strategy and progress reporting arrangements; and
- any narrative reporting in the financial statements.

Other work in 2025/26 will consider the Pension Fund's arrangements to report performance, and the escalation process where performance continues to be challenging.



# Sector developments

## Introduction

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Pension Fund operates to inform our audit approach.

### Future Fund Structures

A consultation on the review of the current structure of the Local Government Pension Schemes in Scotland was launched in summer 2018 by the Scheme Advisory Board (SAB) with consultees asked to consider four structural options: the status Quo for 11 funds, increased collaboration between the funds, pooling of assets and fund merger. The Pension Fund responded that the benefits of alternative models were unclear, while the costs and risks of restructuring were likely to be significant.

*The SAB review remains ongoing.* Alongside the original work, the Scottish Public Pensions Agency (SPPA) launched a further consultation on amendments to the LGPS (Scotland) Regulations from 2 September to 25 November 2025, as part of wider efforts to modernise and align the Scottish LGPS with UK-wide developments. A Strategic Programme Manager, appointed in 2021, continues to support this activity. The project group has reviewed existing reports, incorporated the findings of the 2025 consultation, and completed a gap analysis to determine the information required to develop detailed business cases for future structural options, with additional 2025 regulatory consultations providing further insight.

### Climate change risk and climate change reporting

The Pension Fund has identified Climate Change as a systemic risk and thus a material long-term financial risk.

Strathclyde Pension Fund's Climate Change strategy has the explicit objective of implementing an investment strategy that is consistent with achieving the goal of global net-zero emissions by 2050. Strathclyde Pension Fund has a target of net-zero emissions across its own portfolios by 2050.

The Fund has invested in a number of collaborative engagement initiatives that have a specific Climate Change remit. This includes a shift of more than £4bn of passive equities from market cap to climate transition index funds.

The Fund is a founding member of Climate Action 100+. This is a five-year initiative that uses carbon mapping data to target the worst corporate climate offenders directly, to curb their emissions, improve climate governance and strengthen disclosure.

According to Scheme Advisory Board (SAB), there is a move to make climate risk reporting mandatory for the Local Government Pension Scheme sector, in line with private sector pension funds. Strathclyde Pension Fund supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). TCFD provides a global framework to enable stakeholders to understand the financial system's exposure to climate-related risks particularly affecting organisations most likely to experience climate-related financial impacts from transition and physical risks.

#### | LGPS Updated Guidance

The Local Government Pension Scheme (Scotland) (Amendment) Regulations 2025 came into force on 2 April 2025 and introduced changes to the exit credit framework, providing administering authorities with greater discretion when determining whether an exit credit is payable and the amount, taking into account factors such as employer-specific surplus and representations, and having regard to the Funding Strategy Statement (FSS).

The Scottish Government also launched a consultation in September 2025 on further proposed amendments to the LGPS (Scotland) Regulations 2018, including proposals relating to the removal of the age 75 limitation for death benefit payments, introduction of gender pension gap reporting, updates to forfeiture provisions, and the inclusion of neonatal care leave within scheme regulations. The consultation also proposed amendments affecting transitional and remediable service regulations.

SPPA Circulars published throughout 2025 and early 2026 introduced additional updates relevant to administering authorities, including revised guidance on ill health retirement and internal dispute resolution procedures, the planned increase to the Normal Minimum Pension Age from 6 April 2028, updates to flexible retirement provisions, and changes to the tiered contribution rate system.

Further updates have also been provided through routine LGPC Bulletins. Bulletins issued during 2025 included information on the implementation of the 2025 Amendment Regulations, neonatal care leave changes, Pensions Dashboard readiness, McCloud remedy implementation, and updates linked to the Virgin Media court ruling and its potential relevance for LGPS disclosures.

Looking ahead, the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2026 are expected to come into force from 1 April 2026. These will include the requirement for administering authorities to appoint a designated Senior LGPS Officer with responsibility for all pension functions by 1 October 2026, reflecting wider governance reforms being implemented across the scheme.

### | Cost Transparency Reporting Tool

Fees, charges and returns remain important elements for the LGPS, and the SAB in Scotland continues to participate in the Online Cost Transparency system operated by Byhiras, which provides administering authorities with a central service for collecting cost and performance information from investment managers.

However, the system is scheduled to be phased out when the contract ends in August 2026, following the decision by LGPS Scheme Advisory Board (England & Wales) in November 2024 not to recommission it. A new procurement framework is being developed for launch in Spring 2026 to support future cost-transparency reporting across the LGPS.

### | Upcoming Triennial Valuation

The upcoming triennial valuation at 31 March 2026 will refresh key pension fund data, including membership profiles, asset values, investment performance and updated funding assumptions, which will flow through to employer IAS 19 reporting and audit work. Auditor request letters are expected to reference this new valuation cycle, with a focus on any changes in scheme structure, admitted bodies or asset-ceiling considerations as updated information becomes available.

Importantly, the valuation will also set new employer contribution rates, which will take effect from 1 April 2027 for the three-year funding period to 31 March 2030, with Hymans Robertson issuing the formal Rates and Adjustments Certificate as part of the final valuation reporting.

# Appendices



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# Code of audit practice: Responsibilities

## 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 continued

### 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 planning 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.



## Code of audit practice: Responsibilities continued

### 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 planning 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

## Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

## Required Communications

### Planning stage

- The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- The overall assessment of threats and safeguards.
- Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

- To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- Details of non-audit/additional services provided and the fees charged in relation thereto.
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our continuing independence to act as your external auditor.



# 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.	This [Provisional] Annual Audit Plan
Reporting and audit approach	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified.	This [Provisional] Annual Audit Plan
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>	Annual Audit Report – September 2026
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>	Annual Audit Report – September 2026



## 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>	Annual Audit Report – September 2026
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>	Annual Audit Report – September 2026
Internal controls	Significant deficiencies in internal controls identified during the audit.	Annual Audit Report – September 2026
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>	Annual Audit Report – September 2026
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>	This [Provisional] Annual Audit Plan and Annual Audit Report – September 2026



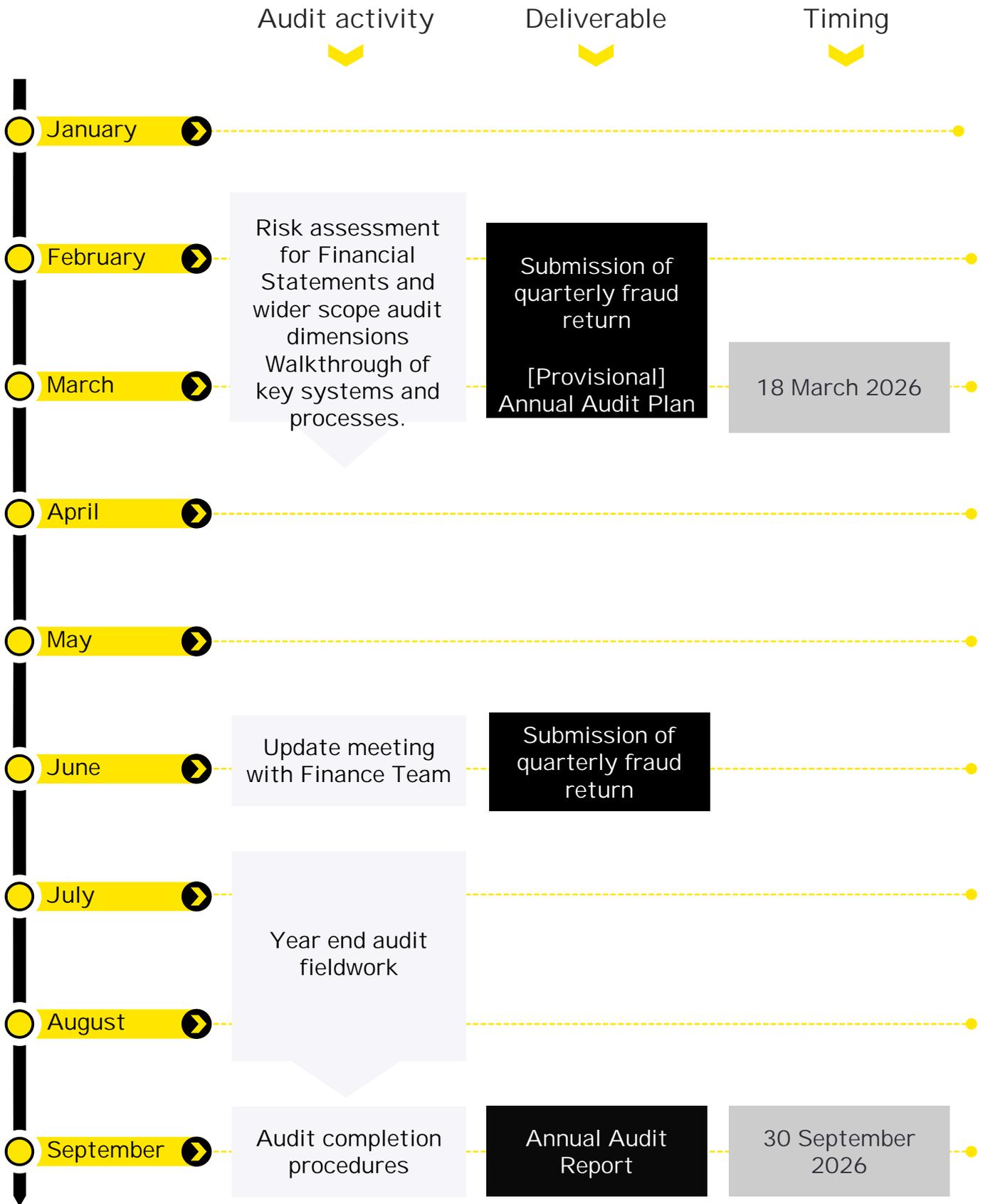
## Required communications (cont.)

### 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>	Annual Audit Report – September 2026
Representations	Written representations we are requesting from management and/or those charged with governance.	Annual Audit Report – September 2026
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>	Annual Audit Report – September 2026
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Annual Audit Report – September 2026
Auditors report	Any circumstances identified that affect the form and content of our auditor’s report.	Annual Audit Report – September 2026
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.	Annual Audit Report – September 2026
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.	Annual Audit Report – September 2026

# D

## Timeline of communication and deliverables





# Audit Fees

## 2025/26 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.

	2025/26	2024/25
Component of fee:		
▪ Auditor remuneration – expected fee	£145,990	£96,970
▪ Additional audit procedures (see below)	£TBD	£43,678
Audit Scotland fixed charges:		
▪ Audit support costs	£5,030	£2,440
Sectoral price cap	(£27,570)	(£26,430)
<b>Total fee</b>	<b>£123,450</b>	<b>£116,658</b>

The expected fee, set by Audit Scotland, assumes that the Pension Fund has well-functioning controls, an effective internal audit service, and an average risk profile.

We will agree a timetable and expectations for the audit with management.

Where auditors identify that additional work is required because of local risks and circumstances, the auditor may negotiate an increase to the auditor remuneration of up to 10% independently with management, or above 10% with the approval from Audit Scotland.

Within prior years, we had agreed with both management and Audit Scotland two recurring elements of work (being additional work for harder to value assets valuations and additional procedures in respect of International Standards on Auditing (ISA) 315 revised), for which additional fees were incurred. For 2025/26, these recurring elements have been incorporated into auditor remuneration, as set by Audit Scotland. Should additional audit requirements arise, due to delays or emerging areas of risk, we will raise these with management through the course of the audit and agree variations as appropriate. We will report the final position to the Pension Fund Committee within our Annual Audit Report.



## Prior year audit recommendations

As part of our annual audit procedures, we will follow up the specific recommendations made within our 2024/25 Annual Audit Report. The outstanding recommendation from prior year is outlined below, along with the response from management.

No. Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
<p>1. 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 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 style="text-align: right;">Grade 1</p>	<p>2024/25 Management response: 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> <p>We will obtain updated management responses for our 2025/26 Annual Audit Report.</p>





# 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 Accounts Commission and the Controller of Audit.
- 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 instill 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 and Controller of Audit 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)

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### Complaints

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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