

Strathclyde Pension Fund

**Annual Audit Plan
Year ended 31 March 2025**

19 March 2025

This report

This report has been prepared in accordance with the Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor for the 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 Audit Scotland and the Accounts Commission (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 will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018.

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1. Executive summary

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 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 for the year ended 31 March 2025. In preparing this plan, we have continued to develop our understanding of the Pension Fund through:

- ▶ Regular discussions with management,
- ▶ Review of key documentation, including Pension Fund committee reports; and
- ▶ Our understanding of the environment in which the Pension Fund is currently operating.

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 of where the Pension Fund employs best practice and where processes can be improved. As we note in Appendix F, we will follow up each recommendation throughout our appointment to ensure implementation.

We use data insights where possible to form

our audit recommendations to support the Pension Fund in improving its practices for 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.

After consideration by the Pension Fund Committee, the finalised plan will be provided to Audit Scotland and published on their website.

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.

Our key contacts:

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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, in accordance with applicable law and the 2024/25 Code of Accounting Practice, of the income and expenditure of the Fund for the year ended 31 March 2025 and;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2024/25 Code; 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.

Independence

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

Exhibit 1: Materiality Assessment in 2024/25

Planning Materiality

Overall materiality for the financial statements based on 1% of Pension Fund's 2023/24 Net Assets (PY:1%)

£305.6
million
(PY: £305.6
million)

Performance Materiality

We have assessed performance materiality at 75% of overall materiality for the financial statements. (PY: 75%)

£229.2
million:
(PY: £229.2
million)

Reporting Threshold

Level of error that we will report to the Pension Fund Committee.

£15.2
million
(PY: £15.2
million)

Based on our understanding of the expectations of financial statement users, 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

As public sector auditors, our responsibilities extend beyond the audit of the financial statements. The Code of Audit Practice (2021) requires auditors to consider the arrangements put in place by the Pension Fund to meet their Best Value obligations as part of our proportionate and risk-based wider-scope audit work. This 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; and
- 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 2024/25

Three significant risks impacting the audit of financial statement have been identified in Section 3:

Risk of fraud through management override of control	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.
Valuation of complex investments	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 2023/24 financial statements were classified as Level 2 and Level 3 investments, meaning there are no any publicly quoted prices available for these types of investments in an active market.
Valuation of Property, plant and equipment	The Fund has a significant portfolio of directly held property investments (£2.3 billion as at 31 March 2024). 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.

2. 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 to the consultation and stated that:

- ▶ It is not clear what would be gained by its members or participating employers from adopting any of the proposed alternative models.
- ▶ It is certain, though, that there would be significant costs and risks associated with any change.

The SAB review is still ongoing, with a Strategic Programme Manager appointed in 2021 to undertake the required analysis.

The project group has researched and analysed existing reports and information relating to options for the future. It then

undertook a gap analysis of the information which would be needed to develop detailed business cases for the various options.

Consolidation into Strathclyde Pension Fund

In 2024/25 the Scottish Fire and Rescue Service began consolidating their Local Government Pension Scheme participation from eight Funds in Scotland into Strathclyde Pension Fund. At the time of drafting this report, the first instalment of these transfers had already occurred, with receipts of £123m.

Further receipts are anticipated in the 2024/25 year.

Climate change risk and climate change reporting

In 2023/24 Strathclyde Pension Fund continued to develop its climate change risk strategy. 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.

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

Regulation 56 of the Local Government Pension Scheme (Scotland) Regulations 2018 sets out how administering authorities are required to prepare and maintain a Funding Strategy Statement (FSS).

In January 2025, updated guidance was issued on preparing and maintaining a FSS, which replaces the 2016 guidance produced by CIPFA. The aim of the guidance is to ensure consistency of terminology among LGPS and structure for ease of access to users. The FSS plays an integral role in setting out the fund's approach to managing long-term funding requirements and funding risk in LGPS whilst enabling stability and sustainability for participating scheme employers.

Guidance on preparing the Pension Fund Annual Report was published in April 2024. The purpose of the guidance is to assist funds with the preparation and publication

of the annual report and to ensure reporting is consistent and provides comparable data for all funds.

| Cost Transparency Reporting Tool

Fees, charges and returns are important elements for the LGPS, and the SAB in Scotland has agreed to participate in the Online Cost transparency system run by Byhiras on behalf of the English and Welsh LGPS SAB.

The system provides a single service for administering authorities to obtain information on costs and performance from different investment managers and it aims to help administering authorities deliver cost savings and improve investment outcomes.

3. 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 2024/25 Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

Our responsibilities

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 in accordance with applicable law and the 2024/25 Code of the state of affairs of the Pension Fund as at 31 March 2025 and of its income and expenditure for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2024/25 Code; 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

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.

Audit Approach continued

- ▶ 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).

Materiality

For planning purposes, materiality for 2024/25 has been set at £305.6 million

(2023/24: £305.6 million). This represents 1% of the Pension Fund's net assets (Exhibit 3). Materiality will be reassessed throughout the audit process and will be communicated to the Pension Fund Committee within our annual audit report.

Our 2024/25 assessment concluded that net assets remains 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.

Specific materiality

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. We noted no areas where specific materiality levels are applied.

Exhibit 3: Our assessment of materiality in 2024/25

Element	Explanation	Value
Planning materiality	<p>The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.</p> <p>This represents 1% (2023/24: 1%) of the Pension Fund's prior year net assets. We will reassess and update our overall materiality level upon receipt of the 2024/25 draft financial statements.</p> <p>Materiality will be reassessed throughout the audit process and will be communicated to the Pension Fund Committee within our Annual Audit Report.</p>	£305.6 million (2023/24: £305.6 million)
Performance materiality	<p>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.</p> <p>We have set it at 75% of planning materiality (2023/24: 75%).</p>	£229.2 million (2023/24: £229.2 million)
Reporting level	<p>The amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.</p> <p>This is set at 5% of planning materiality. In 2023/24, this was set at £15.2 million (5% of Planning Materiality).</p>	£15.2 million (2023/24: £15.2 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

current year audit, along with the rationale and expected audit approach. In 2024/25 we have identified three significant risks:

- ▶ Risk of fraud through management override of control*
- ▶ Valuation of complex investments
- ▶ Valuation of directly held properties

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*

| Financial statement impact

In the 2023/24 audited financial statements the Fund held £2.61 billion of Level 2 and £6.98 billion of Level 3 net financial assets.

| What is the risk?

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.

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, however, still consider revenue and expenditure balances through the lens of management override of controls.

| What work will we perform?

We will:

- ▶ Inquire of management about risks of fraud and the controls to address those risks;

- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud;

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;
- ▶ Assess accounting estimates for evidence of management bias; and
- ▶ Evaluate the business rationale for significant unusual transactions.

We will also obtain supporting documentation through independent confirmations of contributions by the Fund's scheduled bodies and their auditors, in line with the Audit Scotland protocols. We will consider whether we need to perform any other specific audit procedures throughout the audit.

2. Valuation of complex investments

| Financial statement impact

Within the 2023/24 financial statements, the Fund held £2.61 billion of Level 2 and £6.98 billion of Level 3 net financial assets.

| What is the risk?

As of 31 March 2024, the Fund held net investments of £27.9 billion of which 34% (£9.5 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 2024 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 work will we perform?

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.
- ▶ For each Fund manager 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 2025. 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 2025 on the financial statements, including the turnaround impact from prior year unadjusted differences.

3. Valuation of Directly Held Properties

| Financial statement impact

As at 31 March 2024, the Fund held £2.3 billion as directly held property, which is valued annually by an external valuer and classified as Level 3 assets.

| 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 work will we perform?

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).

Other Audit Matters - Going Concern

Audit requirements

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.

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.

Our work on going concern requires us to:

- ▶ challenge management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we

obtain and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Pension Fund obtained throughout our audit;

- ▶ conduct a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement going concern disclosures.

Due to the anticipated continuation of service provision, we expect that the going concern basis of accounting will continue to be appropriate for the Pension Fund.

Other Audit Matters - 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 2024 shows that the actuarial present value of promised retirement benefits was £21.240 billion as at 31 March 2024, with the fair value of scheme assets disclosed as £30.566 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 2024.

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.

4. Wider Scope Dimensions

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 public sector in Scotland:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Vision, Leadership and Governance; and
- ▶ The 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”, 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 (February 2023); 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.

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 9.7% to £30.6 billion during 2023/24, with investment performance slightly below the benchmark return set for the year. The Fund generated a return of +9.9% against a benchmark of +12.8%. 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 2023/24 concluded that given the healthy net asset position at 31 March 2024, there was no concerns 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 Strathclyde Pension Fund Committee on 19th 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.

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;
- ▶ Assessment of the movement in the Fund's net assets since the triennial valuation as of 31st March 2023, published in March 2024, and assess progress in delivering the Fund's investment strategy; and
- ▶ Review of investment strategy for the Fund and investment performance reporting.

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 2023/24 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 that was made in the 2023/24 Annual Audit Report was in relation to one area still outstanding from the 22/23 recommendations, which has been communicated again to management:

1. Journal Approval Process

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.

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;
- ▶ internal control environment resulting from the hybrid working arrangements;
- ▶ we will follow up on progress made in the highlighted improvement area in the 2023/24 Annual Audit Report.

Vision, Leadership and Governance



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 Strathclyde 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 2023/24 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 committee.

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 3,111 matches were identified in the 2023/24 exercise 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. However, it was noted in our 2023/24 Annual Audit Report that Risk Policy has not been updated since 2019, despite a three-yearly review. The Pension fund has implemented a formal tracker as per our recommendation but has still not yet introduced a new Risk Policy, however this was scheduled for 2024/25 review which we will follow up on.

Our response

Our assessment of the Pension Fund’s arrangements in 2024/25 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 2024/25, including any significant findings identified and the work done to address issues identified;

Vision, Leadership and Governance (cont.)

- ▶ 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



The Pension Fund’s approach to demonstrating economy, efficiency, and effectiveness through the use of resources to improve 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). The net assets position in 2023/24 increased by £2.7 billion, the Fund generated a return of +9.9% against a benchmark of +12.8%.

Audit Scotland has also 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

We have identified an area of audit focus in relation to climate change in Exhibit 4 below. Our work in this area will include consideration of:

- ▶ the Pension Fund’s climate change strategy and progress reporting arrangements; and
- ▶ any narrative reporting in the financial statements.

Other work in 2024/25 will consider the Pension Fund’s arrangements to report performance, and the escalation process where performance continues to be challenging.

Exhibit 4: Use of resources area of focus

Climate change reporting

The Fund are aligned to the Paris Agreement’s overall goal of global net zero by 2050 and have implemented an interim target for carbon reduction of at least 45% from the baseline by 2030. The Pension Fund should therefore have a plan to reduce their direct and indirect emissions. Audit Scotland has published their Auditing Climate Change strategy update in December 2024, discussing their aim to hold public bodies to account for their actions, spend and disclosures in relation to climate change which we will review alongside our audit procedures.



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Responsibilities

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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.

| 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; and
- ▶ the impact of planned 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.

| 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 and, other than local government, requirements set out in the Scottish Public Finance Manual.

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

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 for periods beginning after December 2024) requires that we communicate both at the planning stage and at the conclusion of the audit. 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 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; and
- ▶ 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

		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 - 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <p>The planned scope and timing of the audit, Any limitations on the planned scope and timing of the audit, The planned use of internal audit, The significant risk identified.</p> <p>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.</p>	This audit planning report
Significant findings from the audit	<ul style="list-style-type: none">▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures▶ Significant difficulties, if any, encountered during the audit▶ Significant matters, if any, arising from the audit that were discussed with management▶ Written representations that we are seeking▶ Expected modifications to the audit report▶ Other matters if any, significant to the oversight of the financial reporting process	Audit results report - September 2025

Required communications	What is reported?	When and where
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"> ▶ Whether the events or conditions constitute a material uncertainty; ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and, ▶ The adequacy of related disclosures in the financial statements. 	Audit results report - September 2025
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▶ The effect of uncorrected misstatements related to prior periods; ▶ A request that any uncorrected misstatement be corrected; ▶ Corrected misstatements that are significant; and, ▶ Material misstatements corrected by management. 	Audit results report - September 2025
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity; ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist. ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected. ▶ Matter, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud. ▶ Any other matters related to fraud, relevant to SPF Committee responsibility. 	Audit results report - September 2025

Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management; ▶ Inappropriate authorisation and approval of transactions; ▶ Disagreement over disclosures; ▶ Non-compliance with laws and regulations; and, ▶ Difficulty in identifying the party that ultimately controls the entity. 	Audit results report - September 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards; and, ▶ Information about the general policies and process within the firm to maintain objectivity and independence. <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence of safeguards put in place</p> <ul style="list-style-type: none"> ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	This audit planning report and audit results report (September 2025)

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur. ▶ 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. 	Audit results report - September 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit results 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.	Audit results report - September 2025
Internal controls	Significant deficiencies in internal controls identified during the audit.	Audit results report - September 2025
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report - September 2025
Representations	Written representations we are requesting from management and/or those charged with governance.	Audit results report - September 2025



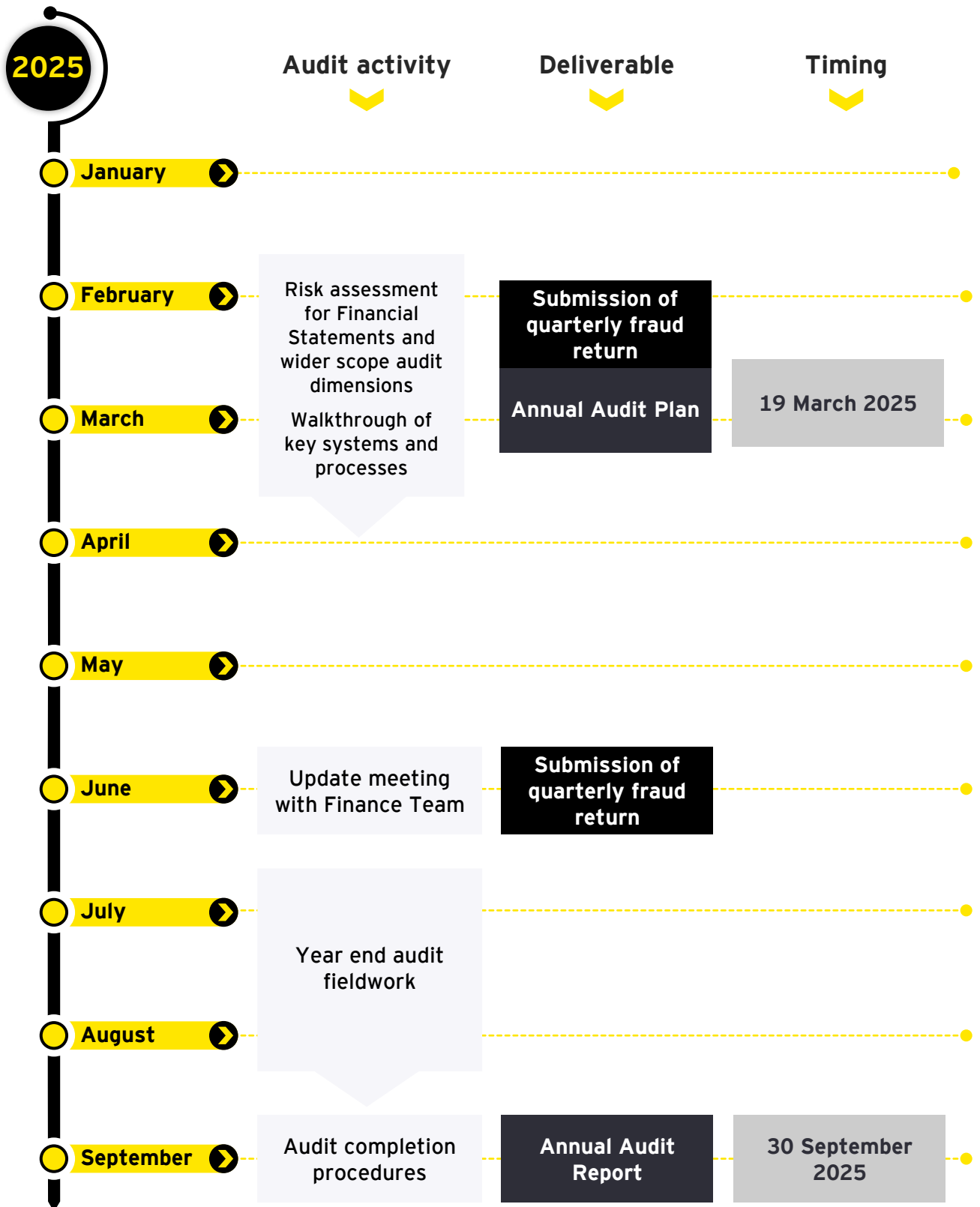
Required communications

Our
Reporting to
you

Required communications	What is reported?	When and where
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - September 2025
Auditors report	Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report.	Audit results report - September 2025

D

Timeline of communication and deliverables



E Audit Fees

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.

	2024/25	2023/24
Component of fee:		
Auditor remuneration - expected fee	£96,970	£93,060
Additional audit procedures (note 1)	Note 1	£34,280
Audit Scotland fixed charges:		
Pooled costs	£2,440	£3,390
Sectoral price cap	(£26,430)	(£24,840)
Total fee	£TBC	£105,890

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.

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.

We will agree a timetable and expectations for the audit with management. 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, and report the final position to the Pension Fund Committee within our Annual Audit Report.

Note 1

As initially agreed with both management and Audit Scotland as part of our 2022/23 audit there are two recurring elements of work for which additional fees are due. These areas of work relate to the additional procedures required to review complex, hard to value assets held by the Fund, 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 the additional fees for these two areas amounted to £23,082. Given the recurring nature there will be a similar scope variation for the 2024/25 financial year and we are in discussion with management regarding the value of the variation. If we identify any other areas requiring additional audit work, we will: inform management of the nature of the work required; confirm the level of level of associated fees; and if appropriate liaise with Audit Scotland for their approval.

F

Prior year audit recommendations

As part of our annual audit procedures, we will follow up the specific recommendations made within our 2023/24 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
1.	<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>Management response: Through these discussions, it has been agreed that going forward, the Finance Manager will produce a register of journals posted at each month end which will be sent to the Director for review.</p> <p>Responsible officer: Shona MacLean, Finance Manager.</p> <p>Implementation date: Reviewed ahead of 2024/25 audit</p>

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; and

- ▶ 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.

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:
<https://audit.scot/publications/quality-of-public-audit-in-scotland-annual-report-202324>
- ▶ 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

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Auditor General 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.

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. If you prefer an alternative route, please contact Anna Anthony, our Managing Partner, 25 Churchill Place, London E14 5EY. 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.

EY | Building a better working world

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