

# Dumfries and Galloway Council Pension Fund

Annual Audit Plan 2025/26



Prepared for Dumfries and Galloway Council Pension Fund  
February 2026

# Contents

---

Introduction	3
Audit scope and responsibilities	4
Audit of the annual accounts	6
Wider scope and Best Value	11
Reporting arrangements, timetable and audit fee	13
Other matters	16

---

## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).

---

# Introduction

---

## Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2025/26 audit of Dumfries and Galloway Council Pension Fund's (the Fund) annual accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

## Appointed auditor and independence

2. Fiona Mitchell-Knight, of Audit Scotland, has been appointed by the Auditor General for Scotland as external auditor of Dumfries and Galloway Council Pension Fund for the period from 2022/23 until 2025/26. The 2025/26 financial year is the fourth of the five-year audit appointment.

3. Fiona Mitchell-Knight and the audit team are independent of Dumfries and Galloway Council Pension Fund in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of Dumfries and Galloway Council Pension Fund to communicate.

---

# Audit scope and responsibilities

---

## Scope of the audit

**5.** The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, the Management Commentary, the Annual Governance Statement and the Governance Compliance Statement.
- Conclusions on Dumfries and Galloway Council Pension Fund's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice.

## Responsibilities

**6.** The Code of Audit Practice sets out the respective responsibilities of Dumfries and Galloway Council Pension Fund and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

**7.** The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on Dumfries and Galloway Council Pension Fund's arrangements in place for the wider scope areas.

### Dumfries and Galloway Council Pension Fund's responsibilities

**8.** Dumfries and Galloway Council Pension Fund has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to

successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

# Audit of the annual accounts

## Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

## Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of Dumfries and Galloway Council Pension Fund are outlined in [Exhibit 1](#).

## Exhibit 1

### 2025/26 Materiality levels for Dumfries and Galloway Council Pension Fund

Materiality	Audited body
<p><b>Materiality</b> – based on an assessment of the needs of users of the financial statements and the nature of Dumfries and Galloway Council Pension Fund's operations, the benchmark used to determine materiality is gross assets based on the audited 2024/25 financial statements. Materiality has been set at 2% of the benchmark.</p>	£21.924 million
<p><b>Performance materiality</b> – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality.</p>	£16.443 million

Materiality	Audited body
<b>Reporting threshold</b> – all misstatements greater than the reporting threshold will be reported.	£1.096 million

Source: Audit Scotland

**13.** ISA 320 states that in certain circumstances it is appropriate to set a separate materiality level (or levels) for classes of transaction, account balances or disclosures. This is a matter where auditors need to apply their judgement. As contributions received and benefits paid are considered to be of public interest and applying the above materiality figures would dwarf these figures, a separate lower materiality level has been set for contributions received and benefits paid. For these two account areas materiality levels have been set as follows:

- Planning Materiality – based on a threshold of 10% of benefits paid, overall planning materiality has been calculated as £4,481,000.
- Performance materiality – based on the same 75% threshold used above, performance materiality has been calculated as £3,360,000.
- Clearly Trivial – clearly trivial has been calculated as £224,000.

## Significant risks of material misstatement to the financial statements

**14.** The risk assessment process draws on the audit team's cumulative knowledge of Dumfries and Galloway Council Pension Fund, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

**15.** Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in [Exhibit 2](#).

**16.** The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and [Exhibit 2](#) may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to Dumfries and Galloway Council Pension Fund and those charged with governance, where relevant.

---

**Exhibit 2****Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response
<p data-bbox="113 430 715 510"><b>Fraud caused by management override of controls</b></p> <p data-bbox="113 519 715 712">Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p data-bbox="721 430 1476 474">The audit team will:</p> <ul data-bbox="721 483 1476 1252" style="list-style-type: none"><li data-bbox="721 483 1476 564">• Evaluate the design and implementation of controls over journal entry processing.</li><li data-bbox="721 573 1476 725">• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li><li data-bbox="721 734 1476 842">• Test journal entries, focusing on those that are assessed as higher risk, particularly for Level 3 investments.</li><li data-bbox="721 851 1476 931">• Evaluate significant transactions outside the normal course of business.</li><li data-bbox="721 940 1476 1093">• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li><li data-bbox="721 1102 1476 1252">• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li></ul>

---

Risk of material misstatement	Planned audit response
<p><b>Estimation of level three investment assets</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of investments. Level 3 investments have at least one input that could have a significant effect on the instrument's valuation that is not based on observable market data. Changes in the valuation assumptions used could affect the net book value of the investments and valuations and involve the application of considerable judgement in determining appropriate amounts. The 2024/25 annual accounts of the Fund show that, as at 31 March 2025, the value of Level 3 investments is approximately £225 million (20 per cent of the total fund value) based on the valuations provided by investment managers.</p>	<ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over the valuation of level three investments.</li> <li>• Evaluate the competence, capabilities, and objectivity of the investment manager.</li> <li>• Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>• Agree year-end valuations to valuation reports, or equivalent, prepared by investment managers.</li> <li>• Review the appropriateness of the key data and assumptions used by management for the valuation of level three investments, and challenge these where required.</li> <li>• Perform substantive analytical procedures on level three investments, using forecasts and market movements, to determine the reasonableness of valuations at the year-end.</li> <li>• Review investment managers' controls reports to identify if there are any issues that impact on the planned audit procedures.</li> </ul>

Source: Audit Scotland

## Key audit matters

**17.** The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

**18.** In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

**19.** The matters determined to be key audit matters will be communicated in the Annual Audit Report. [Exhibit 2](#) outlines the significant risks of material misstatement to the financial statements that have been

identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

---

# Wider scope and Best Value

---

## Introduction

**20.** Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on Dumfries and Galloway Council Pension Fund's being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering Dumfries and Galloway Council Pension Fund's medium- to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering Dumfries and Galloway Council Pension Fund's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

**21.** No significant risks in the wider scope areas or Best Value were identified from the risk assessment process. While they are not significant risks, we will follow up a number of recommendations covering wider scope areas reported in our 2024/25 Annual Audit Report. We will report an update within our 2025/26 Annual Audit Report. We will also report on the Fund's financial position.

## Duty of Best Value

**22.** The Fund is a pension fund that is administered by Dumfries and Galloway Council. As pension funds are not local authorities or separate bodies that fall within section 106 of the Local Government (Scotland) Act 1973, the statutory responsibility for securing Best Value for pension funds lies with the administering local authority, Dumfries and Galloway Council.

**23.** Therefore, consideration of the arrangements the Fund has put in place to secure Best Value will be carried out as part of the Dumfries and Galloway Council audit. Any findings directly applicable to the Fund communicated to us by the auditor of Dumfries and Galloway Council will be reported in the 2025/26 annual audit report.

---

# Reporting arrangements, timetable and audit fee

---

## Audit outputs

**24.** The outputs from the 2025/26 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to Dumfries and Galloway Council Pension Fund and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to Dumfries and Galloway Council Pension Fund and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

**25.** The matters to be reported in the outputs will be discussed with Dumfries and Galloway Council Pension Fund for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual accounts.

**26.** Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the target date for approving the annual accounts, which is 30 September 2026.

**27.** The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2026.

## Audit timetable

**28.** Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 3](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with Dumfries and Galloway Council Pension Fund and reported to those charged with governance, where required.

### Exhibit 3

#### 2025/26 audit timetable

Audit activity	Dumfries and Galloway Council Pension Fund target date	Audit team target date	Pension Sub-Committee date
Issue of Annual Audit Plan		31 March 2026	3 March 2026
<b>Annual accounts:</b>			
• Consideration of unaudited annual accounts by those charged with governance	23 June 2026		23 June 2026
• Submission of unaudited annual accounts and all working papers to audit team	By 30 June 2026		
• Latest date for audit clearance meeting	7 September 2026	7 September 2026	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		8 September 2026	22 September 2026
• Agreement of audited and unsigned annual accounts	8 September 2026	8 September 2026	
• Approval by those charged with governance and signing of audited annual accounts	22 September 2026		22 September 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report		22 September 2026	

Source: Audit Scotland

### Audit fee

**29.** Dumfries and Galloway Council Pension Fund's audit fee is determined in line with Audit Scotland's fee setting arrangements. The agreed audit fee for the 2025/26 audit is £34,180 (2024/25: £32,760).

**30.** In setting the audit fee, it is assumed that Dumfries and Galloway Council Pension Fund has effective governance arrangements in place

and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

---

# Other matters

---

## Internal audit

**31.** Dumfries and Galloway Council Pension Fund is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

**32.** While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. We will review the internal audit plan for 2025/26 and the results of internal audit's work. While we are not planning to place formal reliance on the work of internal audit in 2025/26, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

## Audit quality

**33.** Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

**34.** The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2025/26 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant

judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

**35.** To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

**36.** Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

**37.** Audit Scotland may periodically seek the views of Dumfries and Galloway Council Pension Fund on the quality of audit services provided. The audit team would also welcome feedback at any time.

# Dumfries and Galloway Council Pension Fund

Annual Audit Plan 2025/26



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit.scot](mailto:info@audit.scot)  
[www.audit.scot](http://www.audit.scot)