



# Fife Pension Fund

External Audit Annual Plan

Year ended 31 March 2026

March 2026

## Table of Contents

Introduction	3
Audit scope and general approach	5
Financial statements - significant and other risks of material misstatement	12
IT Audit strategy	18
Wider scope of public audit	19
Audit team and logistics	21
Independence, objectivity and other services provided	23
Audit fees	24
Appendices	26
Appendix 1: Materiality	27
Appendix 2: Responsibilities of the Fund and the Auditor	29

# Introduction

## Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Fife Pension Fund (“the Fund”) for the year ended 31 March 2026 (2025/26).

The main elements of the audit include:

- 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 audit opinion on other statutory information published with the financial statements in the Annual Report and Accounts, including the Management Commentary, Annual Governance Statement, and the Governance Compliance Statement.
- Consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.
- Provision of an Independent Auditor’s Report expressing our opinions on the different elements of the Annual Report and Accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

## Responsibilities of the Fund and the auditor

Fife Council is the administering authority for the Fife Pension Fund. The Council delegates this responsibility to the Pensions Committee. The Pensions Committee has a primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing a set of annual reports and accounts that are in accordance with proper accounting practices. The Pensions Committee is also responsible for complying with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

The [Code of Audit Practice](#) outlines the responsibilities of external auditors appointed by the Accounts Commission for Scotland and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

[Appendix 2](#) provides further details of our respective responsibilities.

## Adding Value through the Audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

Any comments you may have on the service we provide, the quality of our work, and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

This plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

## Openness and transparency

This report will be published on Audit Scotland's website <http://www.audit-scotland.gov.uk/>

# Audit scope and general approach

## Risk-based audit approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an independent auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Fund, including its environment, the financial reporting framework and its system of internal control.
- Review the design and implementation of key internal controls.
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures.
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

## Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Pensions Committee.

## Partnership working

We coordinate our work with Audit Scotland, internal audit and other external auditors, recognising the increasing integration of service delivery and partnership working within the public sector.

Our Audit Scotland appointments include Fife Council and Lothian Pension Fund. Where practicable and appropriate we will share knowledge to generate efficiencies in the delivery of our audits.

### Audit Scotland

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may also be required to provide information to Audit Scotland to support the national performance audits, and we may review the Fund's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which the Fund uses the national performance reports as a means to help improve performance at the local level.

### Internal Audit

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the Fund is used as efficiently and effectively as possible.

### Assurance Protocols

Audit Scotland produces protocols to provide an agreed framework for auditors to seek and provide assurances in specific areas. Assurance protocols are in place for the Local Government Pension Scheme. We may utilise these protocols to gain assurance in respect of the calculation of pension contributions from auditors of employing bodies.

## Delivering the audit

### Hybrid audit approach

We adopt a hybrid approach to our audit which combines on-site visits with remote working; learning from the better practices developed during the pandemic.

### Secure sharing of information

We use a cloud-based file sharing service 'Inflo' that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

### Regular contact

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

## Materiality

We apply the concept of materiality in planning and performing the audit, and in evaluating the effect of misstatements within the financial statements identified during the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

Our determination of materiality:

- Informs the scope of our audit and audit procedures
- Informs the sample sizes required for substantive testing
- Informs our consideration in evaluation the effect of actual and projected misstatements in the financial statements

Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

Materiality levels are summarised as follows:

**Planning materiality:** We have set our materiality at 1.8% of net assets based on the audited financial statements for 2024/25, resulting in £68.0 million.

**Performance materiality:** Using our professional judgment, we have assessed performance materiality at 75% of planning materiality, resulting in £51.0million.

**Specific materiality – dealings with members:** We have set our dealings with members materiality at 1.8% of gross withdrawals including fund management expenses based on the audited financial statements for 2024/25, resulting in £7.860million. We have set performance materiality at 75% of our dealings with members materiality, resulting in £5.895million.

**Reporting threshold:** We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £3.4million for our main materiality and £0.393million for our dealings with members materiality.

## Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to the Pensions Committee.

## Specialised skill or knowledge required to complete the audit procedures

Our audit team will consult internally with our Technology Risk team in assessing the information technology general controls (ITGC).

## Going concern

In most public sector entities (including pension funds), the financial reporting framework envisages that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For many public sector entities, the financial sustainability of the entity is more likely to be of significant public interest than the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the Fund.

## Management responsibility

Management is required to make and document an assessment of whether the Fund is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management is also required to make balanced, proportionate and clear disclosures about going concern within

the financial statements where material uncertainties exist in order to give a true and fair view.

### **Auditor responsibility**

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Fund's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we take cognizance of the guidance published in Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

### **Prevention and detection of fraud or error**

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular, we require to be notified of all frauds which:

- Involve the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control and;
- re over £5,000.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

### **Anti-money laundering**

We require to be notified on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

### **Correspondence**

People or organisations write to Audit Scotland because they have concerns about an issue within a public body that falls under the remit of the Auditor General or the Accounts Commission. An issue of concern may be something such as a breakdown in financial management or governance arrangements.

The key factor in determining whether Audit Scotland examines an issue is the relevance of the issue to Audit Scotland's role and functions. Audit Scotland and appointed auditors will make this judgment using their professional and technical knowledge.

### **Wider audit scope work**

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the

financial statements, but providing audit judgments and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 2](#) provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2025/26 is outlined in the '[wider scope of public audit](#)' section of this plan.

## National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General or the Accounts Commission, they will request auditors to consider and report on those risks as they apply at a local level. For 2025/26 no such risks have been specified.

## Best Value

The administering authority (Fife 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, which are subject to audit.

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, Fife Council.

Therefore, consideration of the arrangements the Pension Fund has put in place to secure Best Value will be carried out as part of the Fife Council audit. Any matters relating to the Pension Fund will be reported in our Annual Audit Report.

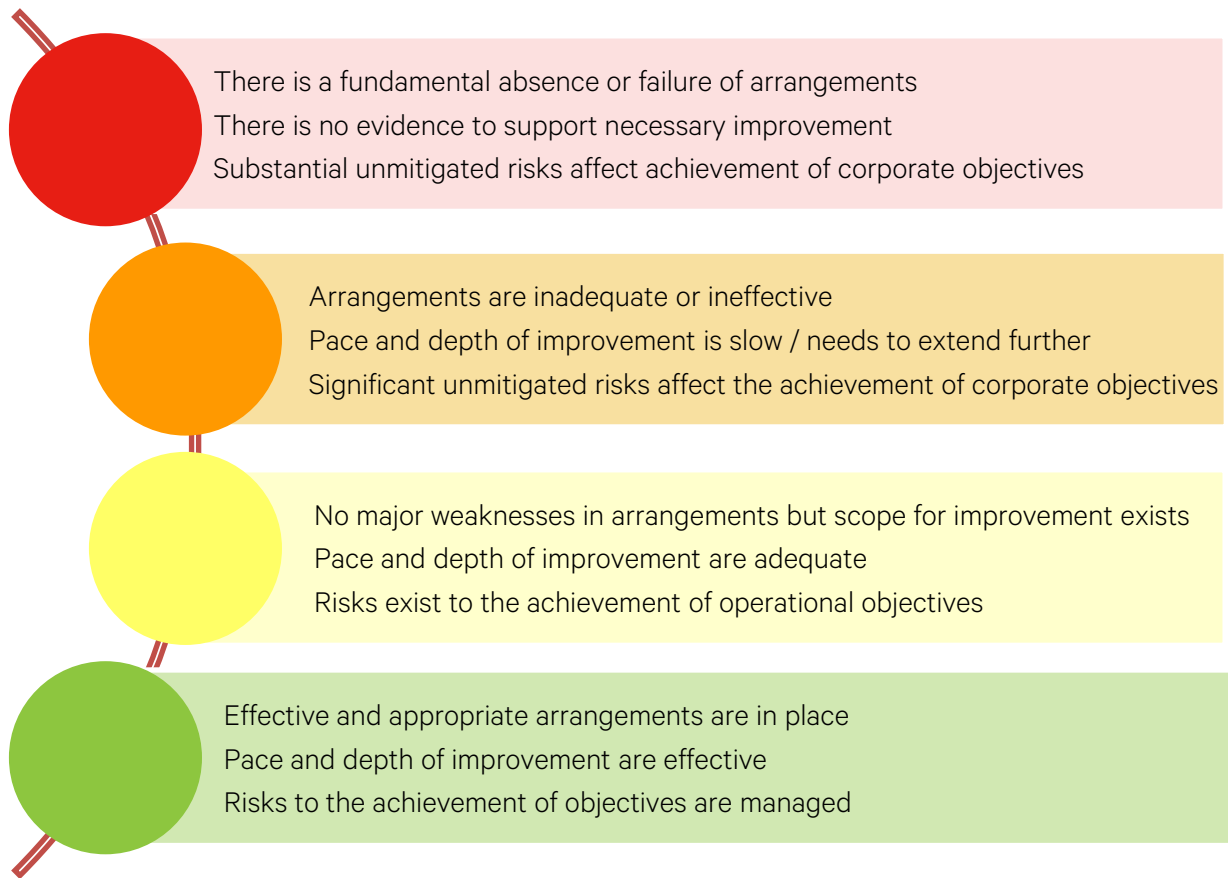
## Reporting our findings

At the conclusion of the audit we will issue:

- an independent auditor's report setting out our formal audit opinions within the annual report and accounts, and
- an annual audit report describing our audit findings, conclusions on key audit risks, judgments on the pace and depth of improvement on the wider scope areas, and any recommendations.

## Definitions

We will use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



## Financial statements - significant and other risks of material misstatement

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement, or are required to be treated as significant risks due to requirements of auditing standards.

The table below summarises each significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Significant risk	Financial Statement or Assertion Level Risk	Fraud Risk	Approach to controls	Level of judgment / estimation uncertainty
Management override of controls	Financial Statement	Yes	Assess design and implementation	Very High
Fraud in revenue and expenditure recognition (Rebutted)	Assertion	Yes	Income recognised in the Fund's accounts relates to contributions received from member bodies, investment income and transfers in from other pension funds.  Expenditure recognised in the Fund's accounts relates to benefits payable, payments to and on account of leavers and management expenses.	Given the nature of this income and expenditure, we rebutted this risk.

Significant risk	Financial Statement or Assertion Level Risk	Fraud Risk	Approach to controls	Level of judgment / estimation uncertainty
Valuation of level 2 and 3 investments (key accounting estimate)	Assertion	No	Assess design and implementation	High
Disclosure of present value of retirement obligations (key accounting estimate)	Assertion	No	Assess design and implementation	High

### Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls	Planned audit procedures
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgments and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals.</li> <li>• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals.</li> <li>• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Fund’ journals policy.</li> <li>• Gaining an understanding of the key accounting estimates and critical judgments made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud.</li> <li>• Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

## Significant risks at the assertion level for classes of transaction, account balances and disclosure

Fraud in revenue and expenditure recognition (rebutted)	Audit approach
<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Income recognised in the Fund’s accounts relates to contributions received from member bodies, transfers in from other pension funds and dividend and interest income from investments.</p> <p>We do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate income of this nature and therefore have rebutted this risk.</p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Expenditure recognised in the Fund’s accounts relates to benefits payable, payments to and on account of leavers and management expenses. We have assessed that both expenditure streams are expected to be material expenditure streams.</p> <p>We will review our assessment during the fieldwork stage of our audit.</p> <p><b>Inherent risk of material misstatement (based on rebutted risk):</b></p> <ul style="list-style-type: none"> <li>• Revenue (occurrence/completeness): Low</li> <li>• Expenditure (occurrence /completeness): Low</li> </ul>	<p>Whilst we have rebutted the risk of fraud in income and expenditure recognition, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Fund’s systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems.</li> <li>• Evaluating the Fund’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code.</li> <li>• Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.</li> </ul>

Valuation of level 2 and 3 investments (key accounting estimate)	Audit approach
<p>The Fund held investments of £3.790 billion as at 31 March 2025, of which 47% (£1.770 billion) were classified as level 2 or level 3 financial instruments, meaning the valuation was not based on unadjusted quoted prices in active markets.</p> <p>Judgments are taken by the Investment Managers to value those investments whose prices are not publicly available. Investments of this nature are complex, difficult to value and include a significant degree of judgment from the investment manager. The material nature of this balance means that any error in judgment could result in a material valuation error.</p> <p><b>Inherent risk of material misstatement: Investments (Valuation): High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"><li>• Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the investment managers and the scope of their work.</li><li>• Evaluating the competence, capabilities and objectivity of the investment managers.</li><li>• Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied.</li><li>• Testing the information used by the investment managers to ensure it is complete and consistent with our understanding.</li><li>• Ensuring that the year-end valuations have been reflected correctly in the ledger and that accounting treatment within the financial statements is correct.</li></ul>

Disclosure of present value of retirement obligations (key accounting estimate)	Audit approach
<p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 26 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the Fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate, which may result in material misstatement of this disclosure note.</p> <p><b>Inherent risk of material misstatement: Retirement obligations (Valuation): High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Reviewing the controls in place to ensure that the data provided to the actuary is complete and accurate.</li> <li>• Considering the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.</li> <li>• Agreeing the disclosures in the financial statements to information provided by the actuary.</li> </ul>

**Other material balances and transactions**

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

# IT Audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

We will consult internally with our Technology Risk team who will support the audit team by assessing the information technology general controls (ITGC) over the following systems:

IT Application	Audit area	Planned level of IT audit assessment
Finance System (Oracle)	Financial Reporting	ITGC assessment (design and implementation effectiveness)
Active Directory	Network Access	ITGC assessment (design and implementation effectiveness)

# Wider scope of public audit

## Introduction

The Code of Audit Practice frames a significant part of our responsibilities in terms of four wider scope audit areas:

- Financial sustainability
- Financial management
- Vision, leadership and governance
- Use of resources to improve outcomes.

## Our audit approach to the wider scope audit areas

Appointed auditors are required to consider the wider scope areas when:

- Identifying significant audit risks at the planning stage of the audit
- Reaching conclusions on those risks
- Making recommendations for improvement
- Where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Audit Practice requires us to structure our commentary under the four areas identified above. [Appendix 2](#) provides further detail on the definition, scope and audit considerations under each wider scope area.

Our planned audit work is risk based and proportionate. Our initial assessment builds upon our understanding of the Fund's key priorities and risks along with discussions with management and review of Fund minutes and key strategy documents.

At this stage, we have not identified any significant risks in relation to the wider scope areas. Audit planning however is a continuous process, and we will report all identified significant risks, as they relate to the four wider scope areas, in our Annual Audit Report.

## Wider scope work

In formulating our audit plan, we identified areas of possible significant risk in relation to all wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist:

### Financial management

- Whether the quality of the financial performance information presented to the Pensions Committee allows appropriate scrutiny of the Fund's performance and supports effective decision making.
- Whether any transfers in /out have a significant impact on the cashflows of the Fund.

### Financial sustainability

- How the Fund is planning to meet the cost of future pensions over the long-term through the value of its investments.

### Vision, leadership and governance

- Whether the Fund can demonstrate that any changes to the governance arrangements are appropriate and operating effectively.
- The governance compliance statement is complete, details accordingly areas of non-compliance and has appropriate plans in place to address those areas.

### Use of resources to improve outcomes

- Whether the Fund can evidence the achievement of value for money in the use of resources, including its investment and pension administration performance.

## Audit team and logistics

### Audit management team

Our audit management team will be as follows:

Role	Name	Contact details
Engagement Lead	Karen Jones	karen.jones@azets.co.uk
Engagement Manager	Adrian Kolodziej	adrian.kolodziej@azets.co.uk
Engagement Audit Senior	Michaela Opoku Asare	michaela.opoku.asare@azets.co.uk

### Timetable

Event	Target month/s	Pensions Committee	Deadline
Planning and risk assessment	January-February 2026	N/A	N/A
Reporting of External Audit Plan to Pensions Committee	March 2026	24 March 2026	31 March 2026
Interim audit	March 2026	N/A	N/A
Receipt of unaudited Annual Report and Accounts	June 2026	30 June 2026	30 June 2026
Commencement audit fieldwork	July - September	N/A	N/A
Independent auditor's report	September	30 September 2026	30 September 2026
Annual Report to the Pensions Committee and the Controller of Audit	September	30 September 2026	30 September 2026

### Our expectations and requirements

For us to be able to complete our work in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the agreed deadlines. These should be complete including all notes, the Management Commentary, Annual Governance Statement, and the Governance Compliance Statement.

- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed in advance to ensure clarity over our expectations.
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing.
- Ensuring staff are available and on site (as agreed) during the period of the audit.
- Prompt and sufficient responses to audit queries.

The audit process is underpinned by effective project management to co-ordinate and apply our resources efficiently to meet your deadlines. It is essential that the audit team and the finance team work closely together to achieve the above timetable.

# Independence, objectivity and other services provided

## Auditor Independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services are provided to Fife Pension Fund.

We have not identified any gifts or hospitality provided to, or received from, any member of the Pensions Committee, senior management or staff.

We have no other relationships with the Fund, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

We confirm that Azets Audit Services and the engagement team comply with FRC's Ethical Standard. There are no facts or matters that impact our integrity, objectivity and independence as auditors that we are required or wish to draw to Pensions Committee's attention. We consider an objective, reasonable and informed third party would take the same view.

# Audit fees

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit.

Audit fees are reviewed by Audit Scotland each year, based on Audit Scotland’s overall budget proposals. The budget proposal and fee levels (for the 2025/26 audits) have been developed recognising the difficult financial environment and the challenges facing public services, and public audit’s role in helping meet them.

An efficient and effective audit requires a strong partnership where audited bodies and appointed auditors work together to deliver their respective statutory responsibilities for accounts and audit. The expected fees assume that effective partnership working is in place.

The overall increase in fees for 2025/26 annual audits is 4.3%.

The audit fee assumes that the body has:

- well-functioning controls;
- an effective internal audit service;
- an average risk profile;
- sound governance arrangements in place and these operated effectively throughout the year;
- prepared accurate unaudited financial statements which meet the agreed timetable for audit;
- prepared comprehensive working papers to support the accounts.

As auditors we negotiate the fee with the Fund during the planning process. The auditor remuneration element of the audit fee may be varied to reflect the circumstances and local risks within the body.

For 2025/26, we propose setting the audit fee above the expected fee level to reflect the following area of work:

	Fee
Changes to auditing standards have increased the complexity and volume of audit work required to carry out audits in line with these standards, partly as a response to questions over the sufficiency of audit in light of corporate failings. Auditing standards (ISA 315) relating to risk assessment have substantially changed the approach auditors take to risk assessment and the resultant audit procedures. The proposed increase reflects this additional work and is consistent with our fee proposals in previous years.	£4,025

The breakdown of the fee for 2025/26 is shown in the table below.

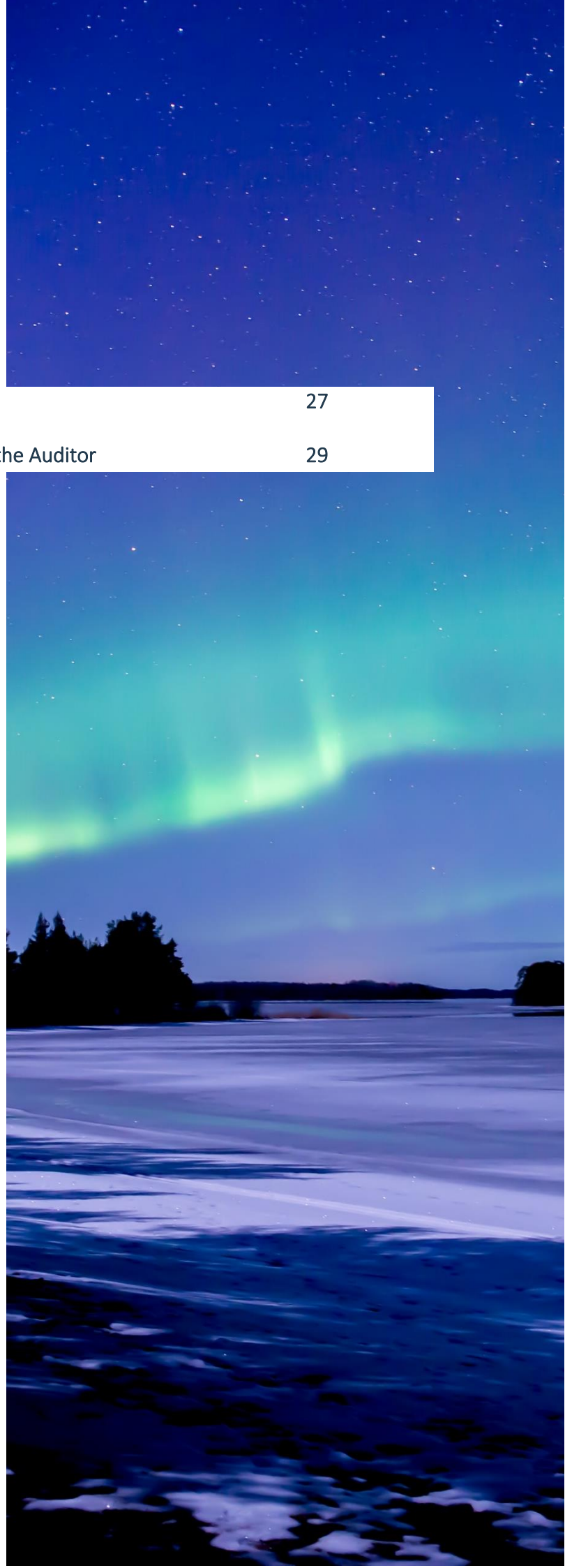
	2025/26	2024/25
Auditor remuneration (expected fee level)	£65,270	£62,680
Audit remuneration (above expected fee level for risk areas noted above)	£4,025	£3,860
Pooled costs	£2,250	£1,580
Sectoral cap adjustment	£(19,910)	£(18,830)
<b>Total fee</b>	<b>£51,635</b>	<b>£49,290</b>

We will take account of the risk exposure of the Fund and the management assurances in place. We assume receipt of the draft working papers at the outset of our final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant work not within our planned audit activity.

## Appendices

### Table of Contents

Appendix 1: Materiality	27
Appendix 2: Responsibilities of the Fund and the Auditor	29



# Appendix 1: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA (UK) 260 defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgment and is affected by our assessment of the risk profile of the Fund and the needs of the users.

When planning, we make judgments about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2026 is calculated as follows.

	£million
<b>Overall materiality for the financial statements</b>	68.000
<b>Performance materiality (75% of materiality)</b>	51.000
<b>Trivial threshold (5% of overall materiality)</b>	3.400

<b>Materiality</b>	<p>Our initial assessment is based on approximately 1.8% of the Fund’s net assets as disclosed in the 2024/25 audited financial statements. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance.</p> <p>The financial statements are considered to be materially misstated where total errors exceed this value.</p>
<b>Performance materiality</b>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we</p>

	<p>perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<b>Trivial threshold</b>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>Individual errors above this threshold are communicated to those charged with governance.</p>

### Special materiality for dealings with members

	£million
<b>Overall materiality for the financial statements</b>	7.860
<b>Performance materiality (75% of materiality)</b>	5.895
<b>Trivial threshold (5% of overall materiality)</b>	0.393

<b>Materiality</b>	<p>We apply lower materiality for dealings with members, based on the fact these transactions are significant to the Fund’s activities and it would not be appropriate to use the assets-based materiality to audit them. Our initial assessment is based on approximately 5% of the Fund’s 2024/25 gross withdrawals including fund management expenses as disclosed in the 2024/25 audited financial statements. We consider this to be the principal consideration for the users of the financial statements when assessing the Fund’s dealings with members. The financial statements are considered to be materially misstated where total errors exceed this value.</p>
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We also consider materiality qualitatively. This includes areas where users are where users are more sensitive to any error. As such we consider Related Parties disclosures as material by nature.

For Related Party transactions, in line with the standards we will consider the significance of the transaction with regard to both the Fund and the counter party, the smaller of which will drive materiality considerations on a transaction-by-transaction basis.

# Appendix 2: Responsibilities of the Fund and the Auditor

## Fund responsibilities

Fife Council is the administering authority for the Fife Pension Fund. The Council delegates this responsibility to the Pensions Committee. The Pensions Committee has 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 enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

Area	Fund responsibilities
<p><b>Corporate governance</b></p>	<p>The Fund 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. Those charged with governance should be involved in monitoring these arrangements.</p>
<p><b>Financial statements and related reports</b></p>	<p>The Fund has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures;</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and</li> <li>• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) in accordance with prescribed requirements.</li> </ul> <p>Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating 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.</p>

Area	Fund responsibilities
	<p>The Fund is 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 its objectives and safeguard and secure value for money from the public funds at its disposal. The Fund is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p><b>Standards of conduct for prevention and detection of fraud and error</b></p>	<p>The Fund is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Financial position</b></p>	<p>The Fund is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• such financial monitoring and reporting arrangements as may be specified;</li> <li>• compliance with statutory financial requirements and achievement of financial targets;</li> <li>• balances and reserves, including strategies about levels and their future use;</li> <li>• plans to deal with uncertainty in the medium and long term; and</li> <li>• the impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Best value</b></p>	<p>The administering authority (Fife 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, which are subject to audit.</p>

## The Accounts Commission, Controller of Audit and Audit Scotland

The Accounts Commission is an independent public body. Its members are appointed by Scottish Ministers and are responsible for holding local government to account.

Under statute, the Accounts Commission appoints a Controller of Audit to consider the results of the audit of accounts, including the wider-scope responsibilities and Best Value auditing. The Controller of Audit makes reports to the Accounts Commission on matters arising from the accounts and on Best Value and acts independently of the Accounts Commission when reporting to it.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

## Auditor responsibilities

### Code of Audit Practice

The Code of Audit Practice (the [2021 Code](#)) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

### Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgment. We report to the Pensions Committee and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

### Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

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## Financial management

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



### Auditor considerations

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.

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## Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.



### Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

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## Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.



### Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

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## 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.



### Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

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## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2024/25 | Audit Scotland](#)



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