



Falkirk Council Pension Fund

**Annual Audit Report to Members
and the Controller of Audit - year
ended 31 March 2022**

23 September 2022



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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Falkirk Council Pension Fund (the Pension Fund) for financial years 2016/17 to 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the Pension Fund and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. 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.

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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 Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, 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.

Executive Summary: Key Conclusions from our 2021/22 audit

We issued an unqualified audit opinion on the Pension Fund's 2021/22 financial statements

Financial Statements

We have concluded our audit of the financial statements of Falkirk Council Pension Fund (the Pension Fund or Falkirk) for the year ended 31 March 2022. Based on the work performed, we have identified one audit difference of £19 million in relation to the understatement valuation of investments at 31 March 2022. A further audit difference was identified in relation to the overstatement of equity valuations of £9.4 million. Management chose not to adjust these differences on the basis of materiality.

The draft financial statements and supporting working papers were of a good quality. We worked with the Pension Fund Manager and Senior Accountant to make enhancements to the Management Commentary and notes to the financial statements.

We continued to review and update our risk assessment throughout the audit, including the materiality level applied. No changes were required as a result of this review.

We concluded that the other information subject to audit, including the applicable parts of the Governance Compliance Statement and the Annual Governance Statement were appropriate. We were satisfied that the Annual Governance Statement reflects the requirements of the *Delivering Good Governance Framework*. The information given in the Governance Compliance Statement is considered to be consistent with the financial statement and the report had been prepared in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018.

Going Concern

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.

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. Our audit procedures around going concern for this year have been completed with no material matters to raise.

Wider Scope

We summarise the conclusion we reached in response to our work on the wider scope dimensions below.

Financial Sustainability

The triennial valuation as at 31 March 2020 indicated that the Fund's funding position had been significantly impacted by Covid-19 with a large decrease in the Fund's asset valuation. This has been followed by a significant recovery in 2021/22 and the estimated funding ratio is now 113%. Preparation is underway for the next triennial valuation covering the period to 31 March 2023.

Work is ongoing in relation to further collaboration with Lothian Pension Fund.

GREEN

Governance and Transparency

For the financial year 2021/22, the Pensions Committee and Board have put in place arrangements to ensure governance activities are held on a routine and timely basis.

We consider the Governance Statement to be consistent with our findings from our audit procedures, included detail as to how Covid-19 impacted the Fund, and reflected the findings of the various governance activities in place in the year, such as internal audit, governance around fund investments and wider risk management arrangements.

GREEN

Financial Management

The Pension Fund has established financial management arrangements, and we are satisfied that these are adequate for the management of its financial position.

No significant matters for improvement in financial management arrangements have been noted through internal audit activity in the year or through our own observations through the course of our procedures.

GREEN

Value for Money

We have no significant matters to report in respect of management's arrangements for securing value for money for the Fund.

The Fund achieved a positive return on investment in 2021/22 and costs per member fell for the first time across a five-year period. Sound arrangements are in place to scrutinise the performance of Fund managers.

GREEN

Introduction

As a result of the impact of Covid-19, Audit Scotland and the Accounts Commission agreed to extend our appointment as external auditor of the Pension Fund by at least 12 months, to 2021/22.

Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of Falkirk Council Pension Fund (“the Pension Fund”) . Our appointment term has recently been extended by a further 12 months, to financial year 2021/22. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the Pension Fund and the Controller of Audit, and presented to both the Fund’s management and those charged with governance. This report is provided to Audit Scotland and will be published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Pension Fund. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

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, our observations around where the Pension Fund employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the Pension Fund in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management.

Our independence

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

We continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 2 of this report.

Scope and Responsibilities

The Code sets out the responsibilities of both the Pension Fund and the auditor (summarised in Appendix A).

Financial statement audit

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

- ▶ whether they give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities; and
- ▶ whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. We outlined the significant risks and other focus areas for the 2021/22 audit in our Annual Audit Plan, which was presented to the Pensions Committee and Board on 17 March 2022.

We have identified one area as a fraud risk, which is a presumed risk for all entities in line with auditing standards, related to the risk of fraud through management override of controls to misstate the year end valuation of Fund investments (misstatement due to fraud and error). We recognise the valuation of complex investments held by the Fund at year end as a significant audit risk in itself. This assessment was not changed as a result of the impact of Covid-19.

In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 2 of this report.

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for money.

Our findings are summarised in Section 3 of this report.

Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a planning materiality of £28.4 million. We have updated our materiality figures for the year end net assets position reported in the unaudited 2021/22 financial statements with the updated figures shown below.

We have updated our materiality figures for the year end net assets position reported in the unaudited 2021/22 financial statements with the updated figures shown below.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

As outlined in our Annual Audit Plan and Audit Plan Addendum, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Key Management Personnel disclosure and Related Party Transactions.

Overall Materiality

£32 million

1% of the Pension Fund's net assets

Tolerable Error

£16 million

Materiality at an individual account level

Nominal amount

£250,000

Level that we will report to committee



Financial Statements audit

Introduction

The Pension Fund's Annual Accounts provide the Pension Fund with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The Plan highlighted one area that we identified as a fraud risk, which is a presumed risk for all entities in line with auditing standards, related to the risk of fraud through management override of controls to misstate the year end valuation of Fund investments (misstatement due to fraud and error). We recognise the valuation of complex investments held by the Fund at year end as a significant audit risk in itself.

The draft financial statements were submitted for audit in line with planned timescales. The inspection notice was published in accordance with requirements.

Compliance with Regulation

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the Pension Fund to prepare financial statements, ensure their availability for public inspection and consideration by the board or a committee with an audit or governance remit. The Pension Fund complied with the regulations and the normal timescale concerning preparation, publication and approval of its annual financial statements. No delay was necessary for the Pension Fund, and we received the draft financial statements for audit on 28 June 2022, in line with planned timescales.

The inspection notice was published by Falkirk Council on the Pension Fund's behalf on 30 June 2022, in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

Audit Outcomes

The unaudited financial statements were prepared to a good standard. Our audit of the Pension Fund's financial statements for the year ended 31 March 2022 is complete in all aspects.

We read the management commentary and compared the content against the information in the financial statements and against the statutory requirements. We concluded that the management commentary met the requirements placed on the Pension Fund.

We reviewed the Annual Governance Statement within the financial statements against the required guidance. We were satisfied that it met the requirements and was consistent with both the governance framework and key findings from relevant audit activity.

The Governance Compliance Statement for the financial for which the financial statements are prepared is consistent with the financial statements and the report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

We made a number of recommendations in respect of presentational changes to the unaudited accounts, to ensure compliance with accounting standards and good practice. All changes have been made in the updated financial statements.

In respect of core audit work, we identified two unadjusted difference above our reporting threshold of £19 million in relation to the undervaluation of private equity and other complex investments due to more up-to-date information being available during the audit, and a £9.4 million difference relating to the reversal of corporate action posted by Custodian to the incorrect period (April 2022). Management has chosen not to adjust these differences on the basis of materiality.

We have outlined our work in this area in more detail on page 13 of this report.

Our audit opinion

Element of opinion	Basis of our opinion	Conclusions
<p>Financial statements</p> <ul style="list-style-type: none"> ▶ Truth and fairness of the financial transactions of the Fund during the year and of the amount and disposition of its assets and liabilities ▶ Financial statements in accordance with the relevant financial reporting framework and 2021/22 Code 	<p>We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks within this section of our report. We did not identify any areas of material misstatement.</p> <p>We are satisfied that accounting policies are appropriate and estimates are reasonable.</p> <p>We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.</p>	<p>We have issued an unqualified audit opinion on the 2021/22 financial statements for the Falkirk Council Pension Fund.</p>
<p>Going concern</p> <ul style="list-style-type: none"> ▶ We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting 	<p>We conduct core financial statements audit work, including management’s assessment of the appropriateness of the going concern basis</p> <p>Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.</p>	<p>In accordance with the work reported on page 16 we have no matters to report.</p>
<p>Other information</p> <ul style="list-style-type: none"> ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit 	<p>The Chief Finance Officer is responsible for other information, included in the financial statements.</p> <p>We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon review of committee and board minutes and papers, regular discussions with management, our understanding of the Pension Fund and the wider sector.</p>	<p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p>
<p>Matters prescribed by the Accounts Commission</p> <ul style="list-style-type: none"> ▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared. 	<p>Our procedures include:</p> <ul style="list-style-type: none"> ▶ Agreeing the format of the reports to regulations and agreeing the disclosures to underlying accounting records. ▶ Reviewing the content of narrative disclosures to information known to us. ▶ Our assessment of the Annual Governance Statement against the Delivering Good Governance Code. 	<p>We have issued an unqualified opinion.</p>
<p>Matters on which we are required to report by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> ▶ there has been a failure to achieve a prescribed financial objective, ▶ adequate accounting records have been kept, ▶ financial statements are not in agreement with the accounting records, or ▶ we have not received the information we require. 	<p>We have no matters to report.</p>

Significant and fraud audit risks

Management override of Investment Asset Valuations

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

We have determined that the way management could be most likely to override controls is by manipulating the value of the year-end investment asset balances posted in totality to the accounts at year-end. Our procedures around this aspect of the risk are outlined on page 13.

Our procedures to address the risk around management override included:

Risk of Fraud

- ▶ We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

- ▶ We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the Pension Fund, which are hosted on the Falkirk Council financial ledger. We subsequently identified risk criteria for the journals and tested any relevant journals considered to be at higher risk of misstatement to understand the basis for the transaction and agree to third party supporting evidence. We did not identify any exceptions as a result of our testing.

Investment balances

- ▶ We have obtained third party confirmations of the Fund's externally held investment balances at the Pension Fund's year end 31 March 2022 from both custodians and investment managers. We have investigated any differences in valuation between these sources and agreed the final balance for investments in the accounts.

Equities

At 31 March 2022 the Pension Fund owned £784.5 million in listed equities.

To gain assurance over these values, we obtained confirmations of the equities held directly from the fund managers, primarily Schroder and Newton Investment Management. We performed a reconciliation of these confirmations to the listings provided by the Pension Fund.

In the course of these reconciliations, we identified that there was an overstatement of the equities value of £9.4 million. This related to shares in Universal Music Group (UMG).

In September 2021, there was a stock dividend distribution by Vivendi, UMG's parent company. This was incorrectly recorded by Northern Trust as being a spin-off event resulting in an issue of 461,459 shares. This should instead have been recognised as income. When the error was identified by Northern Trust, the income entries were correctly entered, however, the entries impacting market value were reversed by Northern Trust but in the incorrect period, leaving £9.4m incorrectly included in the market value of equities as of 31 March 2022.

We have raised an adjustment of £9.4 million. This has not been adjusted for by management on the basis of materiality. Please refer to Appendix E for further details.

Judgements and Estimates

- ▶ We agreed with management's assessment that there are no material accounting estimates included in the financial statements that have a direct impact on the Fund's financial statements beyond the estimates used by third parties to value assets in which the Pension Fund has investments.

Accounting Policies

- ▶ We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Pension Fund to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under IFRS or the Code.

Our conclusions

- ▶ Based on our work performed, one unadjusted difference of £9.4 million was identified. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.
- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

Valuation of complex investments - Significant risk

As of 31 March 2022, the Fund held investments of £3.2 billion, of which 71% (£2.27 billion) were classified as Level 2 and Level 3 investments, meaning there are not publicly quoted prices in place for these types of investments in an active market. We have therefore assigned a significant risk to the valuation of Private Equity and Infrastructure Funds, Managed Property Funds and Pooled Investments. Around 46% of the pooled investments are in index tracker funds investing in listed equities. Our audit testing around this risk is focused on the remaining harder to value assets included in pooled investments.

Our procedures to address this risk included:

- ▶ Where fund managers complete control reports, we obtained the reports for all material investments and reviewed qualifications or exceptions that may affect the audit risk and scope. Where the period covered by the Fund manager controls' reports differ from the Pension Funds balance sheet date, we have obtained bridging letters for the period between report dates and financial statements date. No issues that could affect the risk or scope of the audit were identified.
- ▶ We have reviewed the basis of valuation for unquoted investments to assess if they are in line with the accounting policy and in accordance with the CIPFA Code of Practice on Local Government Accounting requirements.
- ▶ For managed property funds and pooled investments we tested all material balances to lower testing thresholds of (10% of tolerable error) and agreed all balances sampled to third party fund managers' reports.
- ▶ For private equity and infrastructure we obtained the most up-to-date financial statements for each investment, and capital statements to the Fund's Financial Statements date. We have considered the audit opinions for the Fund's share of the investment based on its percentage ownership.

We identified a number of differences between the Pension Fund recorded balances and the confirmations received from Fund managers. We confirmed this occurred where valuations gains to 31 March 2022 were not reported to the Pension Fund before the unaudited accounts are prepared, but are available by the time of the audit of the financial statements.

Valuation of complex investments - Significant risk (cont.)

The total differences identified were £19 million for private equity, infrastructure and private debt and pooled investments (2020/21: £12.3 million). Management has chosen not to adjust the accounts for the differences, noting that the financial statements are prepared with the best information available at the time of preparation in line with required statutory guidelines. If the Pensions Committee agrees not to adjust the financial statements for the identified difference, an explanation for not doing so should be included in the letter of representation. This difference is above our Tolerable Error, however, we are satisfied that the impact is below our overall materiality and does not prevent us from providing an unqualified opinion.

Our conclusions

- ▶ Based on work completed, one unadjusted difference of £19 million was identified. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

Judgements and Estimates

We outlined in our audit planning report that ISA(UK) 540 on accounting estimated was issued in December 2019 and was applicable on the 2020/21 audit for the first time. In particular risk factors relevant to the public sector includes examples to be considered:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as actuarial present value of promised retirement benefits; and
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the pension funds, such as the valuation of complex unquoted investment assets (such as private equity, infrastructure, private debt and others as outlined on page 13 of this report).

Our procedures included:

- Test management's process method, key assumptions, data;
- Test management's process-estimation uncertainty;
- Consider any evidence from events up to the report date; and
- Develop our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias as outlined above, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these disclosures and concluded that disclosure is appropriate and acceptable under IFRS and the Code.

Accounting Policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Pension Fund to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under IFRS or the Code.

Our conclusions

- ▶ Based on the procedures performed, we did not identify any areas of significant estimation or judgement as part of our audit work in these areas where we disagreed with management over the accounting treatment.
- ▶ There were no significant accounting practices which materially depart from what is acceptable under IFRS or the Code.

Going concern

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. CIPFA bulletin 05 (issued at closure of the 2019/20 financial statements) states that while there is likely to be a significant impact of Covid-19 on local authority financial sustainability, the rationale for the going concern basis of reporting has not changed. However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained in light of the unprecedented nature of Covid-19 and its impact on the funding of public sector entities. Management's going concern assessment and associated disclosures cover the period from the date of approval of the financial statements at 23 September 2022 until 31 March 2024.

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

At 31 March 2022, the Fund was holding £87.5 million in in-house managed cash (£78.9 million in deposits and £8.6 million in its current account) whereas its average monthly outgoings are approximately £10 million. The Fund forecasts throughout the going concern assessment period that the net dealings with members would be an £11.5 million deficit, resulting in an estimated shortfall of £3.4 million at March 2024. In the event that the Fund needed to raise cash, it holds £2.5 billion in what are liquid investments in the form of listed equities, gilts and TIPS. These are generally realisable within 3-4 days of trade execution.

The triennial valuation took place as at 31 March 2020 and the next valuation is due to take place as at 31 March 2023. The 2020 Fund's valuation showed a funding position of 94%, compared with 92% at the 2017 valuation. The funding position is impacted by the lower than otherwise would be asset position due to the impact of Covid-19 on investment returns and values. The value of assets has since recovered, as demonstrated by the fund's strong position as at the 31 March 2022 (the estimated funding ratio is 113%).

The Fund is established under secondary legislation made under the terms of the Public Service Pensions Act 2013 and is therefore expected to be a going concern until notification is given that the body will be dissolved and its functions transferred. At the date of approval of the financial statements there is no indication of any such notification however Falkirk Pension Fund and Lothian Pension Fund have announced that the possibility of a merger of operations is being explored. Work to undertake due diligence is in progress and any merger would be subject to approval by the City of Edinburgh and Falkirk councils, regulatory clearances and legislative processes. The Pension Fund has therefore concluded that there are no material uncertainties around its going concern status.

Our conclusions

- ▶ We are satisfied that the Pension Fund remains a going concern.
- ▶ We have worked with management to enhance the going concern disclosures within the financial statements.



Wider Scope dimensions

Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the Pension Fund's arrangements for the four wider scope audit dimensions.

We apply our professional judgement to risk assess and focus our work on each of the dimensions. In doing so, we draw upon conclusions expressed by other bodies including the Pension Fund's internal auditors, along with national reports and guidance from regulators and Audit Scotland. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Pension Fund's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

The Wider Scope dimensions

Financial Management:

- ▶ Considers the effectiveness of financial management arrangements, including financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial Sustainability:

- ▶ Considers the medium and longer term outlook to determine if financial planning is effective in supporting service delivery.

Governance and Transparency:

- ▶ Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.

Value for Money

- ▶ Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

Financial Sustainability

The triennial valuation as at 31 March 2020 indicated that the Fund's funding position had been significantly impacted by Covid-19 with a large decrease in the Fund's asset valuation. This has been followed by a significant recovery in 2021/22 and the estimated funding ratio is now 113%. Preparation is underway for the next triennial valuation covering the period to 31 March 2023.

Work is continuing around the planned collaboration with Lothian Pension Fund.

Triennial Valuation

The Local Government Pension Scheme rules require a fund valuation to be undertaken every three years by an independent actuary. The Fund's most recent valuation was at 31 March 2020, performed by the Fund's actuary, Hymans Robertson. The Fund's valuation showed a funding position of 94%, compared with 92% at the 2017 valuation. The funding position is impacted by the lower than otherwise would be asset position due to the impact of Covid-19 on investment returns and values. The value of assets has since recovered, as demonstrated by the fund's strong position as at the 31 March 2022.

Exhibit 1: Recent valuations and the estimated position for March 2020

	Assets	Liabilities	Deficit / (Surplus)
2014 Valuation	£1,577 million	£1,860 million	£283 million
2017 Valuation	£2,219 million	£2,403 million	£184 million
2020 valuation	£2,329 million	£2,481 million	£152 million
2022 (estimate)	£3,189 million	£2,821 million	(£368 million)

Source: Falkirk Council Pension Fund Valuations Assumptions report

A separate estimate of the funding position is undertaken each year by the Fund actuary. The estimated valuation as at 31 March 2022 indicates an improvement from the triennial valuation, showing a funding ratio of 113% and an increase in pension asset value of 37% as compared to the 2020 valuation. Employer contributions are based on the results of the triennial valuation. For the majority of employers, contribution rates were in a range of 20.5% - 30.3% of pensionable pay. Work is underway to prepare for the next valuation for the period to 31 March 2023 and this has been built into the administration element of the 2022/23 budget.

The Fund has healthy cash reserves and liquid investments which make it possible to navigate unforeseen financial challenges.

Impact of Covid-19 on the Fund

At the onset of Covid-19 there was a significant impact on the level 1 investments, with values significantly reduced at 31 March 2020. Investment values have largely recovered with a significant improvement reflected within the 2020/21 and 2021/22 financial statements. The Fund's strategy is in relation to long-term returns and it is not looking to tactically make short term investment decisions. The focus remains on investments that will see long term increase in value.

In addition, the Fund has sufficient resources to mitigate the impact of further unforeseen circumstances. At 31 March 2022, the Fund held £87.4m in cash whereas it's average monthly outgoings are £10m. In the unlikely event that the Fund needed to raise cash, it holds £2.5bn in liquid investments. Therefore, despite the ongoing economic uncertainties around the Ukraine conflict, inflation and recovery from Covid-19, the Fund remains in a strong position with a healthy funding level and liquid assets that are readily convertible to cash.

Funding strategy going forward

Statements of investment principles was presented at August 2022 to the Pensions Committee and Board and approved. The Investment Strategy was reviewed in collaboration with the Lothian and Fife Pension Funds, taking advice from the Joint Investment Strategy Panel (JISP) and Hymans Robertson, and was approved by the Pensions Committee in June 2021. This was performed to ensure that the Fund's allocation of capital to various asset classes is consistent with the key funding aims of positioning employer contributions at an affordable level and being fully funded over a 20 year period. In light of the focus on responsible investing, the Fund approved its Statement of Responsible Investment Principles in December 2020. As at 31 March 2022, the actual allocation to each Policy Group was within the acceptable range set by the current strategy. Equities were overallocated and close to the upper limit of their allowable range, however, a reduction to the Baillie Gifford Diversified Growth Fund was made post year-end and will have moved the equity position back in the direction of the strategic allocation. Due to the long-term nature of the Fund's strategy, no revisions were made following the review in 2021/22.

Collaboration with Lothian Pension Fund and Fife Council Pension Fund

In line with previous years, the Pension Fund has continued to extend its collaborative relationship with the Lothian and Fife Pension Funds, with all parties participating in a Joint Investment Strategy Panel to deliver greater efficiencies and providing a platform to further the engagement with the Funds. This remains an ongoing process as the Funds consider ways they can further align operations. Clearly, these arrangements may change in future as a result of the proposed merger between the Falkirk and Lothian Pension Funds which is detailed within the Governance and Transparency section of this report.

Financial Management

The Pension Fund has established financial management arrangements, and we are satisfied that these are adequate for the management of its financial position.

No significant matters for improvement in financial management arrangements have been noted through internal audit activity in the year or through our own observations through the course of our procedures.

With the continuing financial challenges facing public sector bodies, it is essential that the Pension Fund has robust financial management arrangements to ensure that it can continue to deliver on its responsibilities.

Financial management arrangements, including budget approval and financial performance monitoring arrangements, have operated as normal in 2021/22 despite the ongoing impact of Covid-19.

Fund financial management arrangements

We give consideration to the financial management arrangements in place at the fund through our financial statement audit procedures. No significant matters were identified through the course of our work in this respect. In particular, we considered changes to the internal control environment resulting from the ongoing remote working arrangements due to Covid-19, noting that hybrid working and associated procedural changes are now fully embedded and operating as expected.

Internal audit scrutiny of financial management arrangements

We have also considered the results of the Pension Fund's Internal Audit findings for the year in relation to financial management. The Internal auditor issued reports in the year in relation to the operational controls associated with transactional processing and cyber security. In both cases internal audit were able to provide substantial assurance over the arrangements in place, with a small number of recommendations made, all of which were accepted by management and timescales for implementation have been agreed.

Budget monitoring and approval

The Pension Fund prepares a Fund budget for review and approval by the Pensions Committee and Board, and updates on performance against the budget are then presented to the Committee throughout the year on a quarterly basis. In 2021/22, the Fund delivered an underspend against budget of £0.8 million, largely due to reduction in investment management expenses and vacancy management .

The 2022/23 budget was set at £8.3m in March 2022 in line with pre-pandemic timetables. This represents a £0.4m increase from 2021/22, which derives mainly from investment management fees arising from a growth in Fund assets since the previous budget.

Governance and Transparency

For the financial year 2021/22, the Pensions Committee and Board have put in place arrangements to ensure governance activities are held on a routine and timely basis.

We consider the Governance Statement to be consistent with our findings from our audit procedures, included detail as to how Covid-19 impacted the Fund, and reflected the findings of the various governance activities in place in the year, such as internal audit, governance around fund investments and wider risk management arrangements.

Governance arrangements following the impact of Covid-19

Like all other public bodies in Scotland, the Pension Fund moved to revised governance arrangements at the beginning of the UK lockdown period in March 2020. After an initial period of delay, remote governance arrangements were implemented successfully and these operated effectively throughout 2021/22.

Committee membership

Looking forward to 2022/23, seven of the nine Pension Committee members will be replaced (at the time of writing only six places have been filled), and therefore there is a risk that effective scrutiny of Fund activities is diminished. However, the Fund have a comprehensive induction and training programme in place to ensure members are able to fulfil their roles effectively, and this is monitored via periodic review of the risk register which recognises the capacity of committee members as a risk.

Internal audit activity in the year

Internal audit services are provided by Falkirk Council and their activity appears appropriate and proportionate to the risks affecting the Fund, and arrangements are in place for management and members to monitor and act on key risks. Internal audit reviewed two areas during the year in line with their annual audit plan as outlined in the financial management section of this report. One recommendation from a previous report, in relation to a review of business continuity arrangements, remains outstanding and is planned for completion by November 2022.

Fund Governance Statement and Governance Compliance Statement

We have reviewed the annual governance statement and governance compliance statement prepared for the Fund for 2021/22 and agree that it is consistent with our findings from our audit procedures. This includes the disclosure of one area of non-compliance where the Fund explains its consideration and reason for this which we have deemed reasonable.

Responsible investing

During 2019/20, the Fund became a member of both the Institutional Investors Group on Climate Change (IIGCC) and the Climate Action 100+ Group. In December 2020, the Fund approved its Statement of Responsible Investment Principles, which outline an approach to investing that aims to integrate Environmental, Social and Governance factors into investment decisions, in order to better manage risk and to generate sustainable, long-term returns. During 2021/22, the Fund appointed Hermes EOS as a professional adviser for an initial period of four years to engage with companies on the Fund's behalf on sustainability matters.

Future Fund Structure

The proposed merger between Falkirk Pension Fund and Lothian Pension Fund was announced in May 2022. Work to undertake due diligence is in progress and any merger would be subject to approval by the City of Edinburgh and Falkirk councils, regulatory clearances and legislative processes. A contingency has been built into the 2022/23 budget to allow for the additional project work required to progress.

Risk Management arrangements

The Fund has a risk management policy which outlines the risk management strategy for the Fund. This was last subject to formal review in 2018 and should be updated, however, we recognise this work is planned for 2022/23. Risk management arrangements are supported by the Fund's Assurance Map, which was last updated in March 2022 and helps to drive planned work and areas for consideration in relation to risk management.

The Fund's risk register has been updated in 2021/22. Notably, the risk arising from Covid-19 was downgraded due to the now embedded mitigating controls now in place, but new risks were identified surrounding the Ukraine conflict and potential impact of the proposed merger with the Lothian Pension Fund on 'business as usual' activities. The risk register is subject to regular review by senior officers at bi-annual meetings attended by the Board Chairs, although only one meeting was held in 2021/22 due to the departure of the Pensions Manager. If any new risks are identified or risk levels are heightened, the Pensions Committee and Board are provided with updates.

Governance arrangements around risk management and the Pension Fund's investments have continued to operate in 2021/22 as planned, with a review of risk management arrangements completed in 2022.

Value for Money

We have no significant matters to report in respect of management's arrangements for securing value for money for the Fund.

The Fund was one of only two LGPS funds to achieve an above-benchmark return on investment in 2021/22, although it continues to perform slightly below the LGPS average across the three and five-year periods. Robust arrangements are in place to scrutinise the performance of Fund managers.

Fund performance in 2021/22

The Fund achieved a return on investment of 13.1% against a benchmark of 6.2%. Strong returns from Equities and in particular Real Assets were the main contributors to delivering this and more than compensated for the slightly negative return from the Non-Gilt Debt and LDI policy groups. Strong performance was noted from the property mandate as Covid-19 restrictions ended and the property market rebounded.

The Fund has performed well against their own benchmarks over all time periods (particularly the current year) with the exception of the three-year return period. The main detractor from benchmark over the past three years has been the Fund having minimal exposure to 'New wave' technology and media stock. This benefitted the Fund in 2021/22 as the market tended to favour traditional low-risk investments in the wake of the Ukraine conflict and rising inflation.

Exhibit 2: Falkirk Council Pension Fund Investment Performance

Year	2019/20	2020/21	2021/22	Average
Fund return	-6.6%	22.3%	13.1%	9.6%
Benchmark return	0.3%	21.7%	6.2%	9.4%
LGPS Scotland Average return	-4.1%	24.8%	-	10.4%
Administration costs per member	£25.96	£26.72	£26.61	£26.43
Investment management expenses	£14,546k	£17,148k	£16,914k	£16,203k
Total Fund unit costs per member	£463	£532	£511	£502

Source: Falkirk Council Pension Fund 2021/22 Unaudited Financial Statements, Falkirk Council Pension Fund 2020/21 audited Financial Statements; Falkirk Council Pension Fund 2019/20 Audited Financial Statements

Fund performance in 2021/22 (cont.)

The total unit costs per member (which encompass investment management, administration and oversight and governance costs) have been on an upward trajectory but have decreased in 2021/22 for the first time over a five year period. Administration and oversight costs per member reduced slightly, mainly as a result of increased membership numbers (membership grew by 2.9% in 2021/22, the highest year-on-year increase since 2018/19) and project work being pushed into 2022/23. Meanwhile, investment management expenses have decreased by £20 per member. This is due to a reduction in performance management fees as some of these were already realised at the end of investment period, which was partially offset by an increase in management fees payable due to the growth in fund asset values.

Scrutiny of Fund Manager Performance

We have considered fund manager performance through review and attendance at the Pension Committee and Board. As noted above, investment management expenses decreased during 2021/22. The performance of investment managers continues to be monitored through the Joint Investment Strategy Panel. A report is presented at each meeting outlining manager performance against agreed benchmarks. Where poorer performance has been identified, this is highlighted and subject to further monitoring through Panel. In cases where there is poor performance, the Panel will make a recommendation to the Chief Financial Officer on suggested actions. We have seen in previous years the Committee take action in terminating managers who have underperformed benchmarks for a period of time.

We have concluded that there is an appropriate level of scrutiny of fund manager performance which supports the Fund in complying with their investment principles.

Service Delivery

The Fund are also progressing a suite of project work which aims to deliver value for money, achieve operational efficiencies, and improve the experience of Fund members. This includes the roll out of i-Connect too all employers (process for the electronic transmission of member data) and implementation of the member self-service facility. This work is continuing into 2022/23 and the Fund are deploying sufficient resources to deliver these projects. This is also relevant to the proposed merger as these projects will bring the Fund in closer alignment with the systems in place at Lothian Pension Fund.



Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Pensions Committee and Board

D - Action plan, including follow up on prior year recommendations

E - Audit differences identified during the audit

F - Timing and deliverables of the audit

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

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 an annual report and accounts containing 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 support their financial statements 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.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

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 / 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 also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the Pension Fund since appointment can be found at: [Quality of public audit in Scotland annual report 2021/22 \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/quality-of-public-audit-in-scotland-annual-report-2021-22)

Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the Pension Fund.

Matters that we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We are not aware of any inconsistencies between Pension Fund's policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Audit Fees

	2021/22	2020/21
Component of fee:		
Auditor remuneration - expected fee	£22,600	£21,130
Auditor remuneration - fee variation	£2,260	£4,200
Audit Scotland fixed charges:		
Pooled costs	£2,360	£2,100
Audit support costs	£1,210	£1,220
Total fee	£28,430	£29,650

The expected fee for the Pension Fund is set centrally by Audit Scotland and assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

During the year, additional time was incurred on the audit, specifically in relation to the level of work required around the valuation of more complex (level 3) investments due to the need to audit these to a significantly lower level (due to unrecorded differences in the prior year audits) and higher degree of scrutiny following the updated requirements from various external reviews. Additional time has also been incurred this year for the audit of equities. We have taken into account audit efficiencies due to the knowledge we accumulated during a number year of the audit and therefore kept fee overruns at 10%

Appendix C: Required communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Pensions Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks 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>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <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 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <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 ▶ The adequacy of related disclosures in the financial statements 	<p>Annual Audit Report</p>
<p>Misstatements</p> <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 ▶ Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Pensions 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 ▶ A discussion of any other matters related to fraud 	<p>Annual Audit Report</p>

Required communication

Our reporting to you

Related parties

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
- ▶ Difficulty in identifying the party that ultimately controls the entity

No significant matters have been identified.

Independence

Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence

Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:

- ▶ The principal threats
- ▶ Safeguards adopted and their effectiveness
- ▶ An overall assessment of threats and safeguards
- ▶ Information about the general policies and process within the firm to maintain objectivity and independence

Annual Audit Plan

This Annual Audit Report - Appendix B

Internal controls

Significant deficiencies in internal controls identified during the audit

This Annual Audit Report - no significant deficiencies reported

Consideration of laws and regulations

- ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off
- ▶ Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of

Annual Audit Report or as occurring if material.

Subsequent events

Where appropriate, asking the Pensions Committee whether any subsequent events have occurred that might affect the financial statements.

We have asked management and those charged with governance. We have no matters to report.

Material inconsistencies

Material inconsistencies or misstatements of fact identified in other information which management has refused to revise

This Annual Audit Report

Appendix D: Action Plan, including follow up on prior year actions

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the Pension Fund or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	There were no findings or recommendations from the prior year audit.	N/A	N/A

Appendix E: Audit differences identified during the audit

This appendix sets out the unadjusted differences identified during the audit. There were no adjusted differences identified during the audit.

Unadjusted differences (financial statements)				
No.	Description	Income and Expenditure Impact	Other Comprehensive Income and Expenditure Impact	Balance Sheet Impact
1	<i>Timing difference in relation to investments (net impact)</i>		Cr Return on investments £19,857,121	Dr Investment Assets £19,857,121
2	<i>Incorrect inclusion of UMG shares no longer held</i>		Dr Return on Investments £9,435,109	Cr Investment Assets £9,435,109
Total		-	Cr Return on Investments £10,422,012	Dr Investment Assets £10,422,012

Appendix F: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the Pension Fund, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2021/22 audit cycle.

	Audit Activity	Deliverable	Timing
JAN			
FEB			
MAR	<ul style="list-style-type: none"> Audit planning; setting scope and strategy for the 2021/22 audit; completing walkthrough procedures 	Annual Audit Plan	January - March 2022
APR			
MAY	<ul style="list-style-type: none"> Ongoing assessment around wider scope dimensions and support of Audit Scotland requested information 	We will continue to monitor Audit Scotland performance audit programme	Throughout 2022
JUN			
JUL	<ul style="list-style-type: none"> Year-end substantive audit fieldwork on unaudited financial statements 	Audit clearance meeting	August 2022
AUG	<ul style="list-style-type: none"> Conclude on results of audit procedures 	Certify Annual Financial Statements	September 2022
SEP	<ul style="list-style-type: none"> Issue opinion on the Pension Fund's financial statements 	Issue Annual Audit Report	

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