

Protocol for Auditor Assurance 2024/25

Local Government Pension Scheme



 AUDIT SCOTLAND

Prepared for appointed auditors of Local Government Pension Funds

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Accessibility

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Introduction

1. The purpose of this protocol from Audit Scotland's Innovation and Quality (I&Q) is to set out an agreed framework within which the following information related to the Local Government Pension Scheme (LGPS) can be requested and provided for 2024/25:

- Requests from LGPS pension fund auditors for information from employer body auditors in respect of pension contributions payable by the employer body to the pension fund.
- Requests from employer body auditors for information from pension fund auditors in respect of information provided by the pension fund to the actuary in relation to their reports on employer bodies.

Context

2. LGPS pension funds depend on employer bodies for the correct deduction and payment of pension contributions. Employer bodies are in turn dependent on pension funds providing actuaries with appropriate information for the preparation of their reports.

3. Auditors therefore need to obtain sufficient appropriate audit evidence which may not be held by the body they are auditing. Where auditors decide to request information from the auditor of another body, this protocol sets out an agreed framework.

Scope and application of protocol

4. Employer bodies can be either scheduled bodies (i.e. those with a statutory obligation to join the pension fund) or admitted bodies (other bodies who have elected to join the pension fund). The scope of this protocol covers both types of employer body but only those where the auditor is appointed by the Accounts Commission or Auditor General for Scotland.

5. Pension funds and employer bodies are responsible for being satisfied in relation to the accuracy and completeness of the information included in their financial statements. Auditors should establish the controls in place at their audited body in respect of information related to financial reporting held by another public body, and evaluate the extent to which the controls are sufficient, before seeking assurance from other auditors.

6. Auditors may judge that it is not necessary to request any information from other auditors in which case this protocol has no practical effect.

7. Where the same firm or appointment lead is the auditor of both the LGPS pension fund and an employing body, this protocol does not require any particular actions.

8. For the avoidance of doubt, this protocol sets out the potential range of information but does not compel any specific information to be sought. It is not expected that any information outwith the specified range will generally be requested but that will be a matter for local agreement in 2024/25 (though they may be included in the protocol in future years).

9. Although primarily focussed on local government bodies, this protocol may also be used by auditors of employer bodies appointed by the Auditor General in the central government, health and college sectors with employees who are members of the LGPS.

Arrangements for fee for any additional work

10. I&Q does not expect the procedures required to be performed by auditors to provide the information to be significant. However where an auditor considers it necessary to make a charge for the work, they should refer to section 3 of Audit Scotland's [Audit Management and Quality Guidance](#).

Consulting with I&Q

11. Auditors should consult with I&Q by completing an [enquiry form](#) and submitting it to TechnicalQueries@audit-scotland.gov.uk

Contributions payable to pension fund

Introduction

12. Guidance on potential misstatements in employee and employer pension contributions are outlined in Technical Guidance Note 2024/8(LG) at:

- Module 4 – paragraphs 52 to 59
- Module 13 – paragraphs 27 to 38.

13. Under LGPS regulations, responsibility for calculating the contributions lies with each employer body rather than the pension fund. The pension fund should have arrangements to satisfy itself that the contributions received are complete and accurate. However, pension fund auditors may judge that they require information from the auditors of the employer bodies.

Planning

14. Pension fund auditors should plan their approach to obtaining information on the calculation of contributions at an early stage. Where auditors decide to request information from a sample of employer body auditors, they should communicate with the relevant auditors in good time to enable them to appropriately tailor their procedures.

Range of requested information

15. I&Q has consulted with pension fund auditors on the information likely to be requested from the employer body auditor. The range of potential information is summarised in the following table:

Assurance area	Explanation
Controls	<p>An outline of the system at the employer body for the accurate and complete deduction and payment of contributions to the pension fund.</p> <p>An evaluation of the suitability of the design of the related controls.</p> <p>The results of any relevant controls testing and the auditor's conclusion as to the operating effectiveness of those controls.</p>
Sample months	Total amounts in relation to employee and employer contributions paid for sample months.
Testing of contributions	The results of any substantive testing undertaken on contributions in the year and confirmation as to whether they were at the correct rate.
Starter/leaver data	For a sample of starters and leavers: employees' NI Number, the date started/left, salary, pension contribution (employee and employer) and the date of the first pension contribution.
Laws and regulations	Information regarding the auditor's knowledge of any non-compliance with laws and regulations which may impact on the audit opinion on the financial statements of the employer body.
Fraud	Any other significant matters, including any instances of fraud.

16. An illustrative letter for requesting information for 2024/25 is provided at Appendix 1 of this protocol along with an illustrative response at Appendix 2. They should be tailored as appropriate by the pension fund auditor for the actual information requested (which should not generally be outwith those listed above) and by the auditor of the employer body for the information that have been provided.

17. It is important that auditors of employer bodies provide an initial response either agreeing that the requested information will be provided or commencing a discussion on the actual information that can be provided.

18. Where auditors of employer bodies have not carried out sufficient procedures in respect of contributions to fully satisfy the information requested by the pension fund auditor, further procedures may be required. It is more efficient if the procedures are performed by the auditor of the employer body but, in the event this is not possible, arrangements should be made with the employer body for the auditor of the pension fund to perform the procedures directly.

Timescales for requesting and providing information

19. The timescales for requesting and providing the information in 2024/25 reflect the planning and completion deadlines that apply generally. The latest dates for auditor action in the main stages of the process are summarised in the following table:

Deadline	Action
24 April 2025	Auditors of pension funds to notify employer body auditors that they have been included in the sample of employer bodies and request required information.
29 May 2025	Auditors of employer bodies to provide an initial response indicating the information that they intend to provide and the timescales (any significant delays should be communicated as they arise).
7 August 2025	Auditors of employer bodies to provide agreed information in a substantive response.
21 August 2025	Auditors of employer bodies to provide any required clarifications or responses to follow up queries.

Information provided by pension fund to actuary

Introduction

20. Under ISA (UK) 500, auditors are required to consider the relevance, completeness and accuracy of the source data provided to actuaries to inform their reports prepared for IAS 19 purposes. Paragraphs 17 and 18 of [Module 4 in Technical Guidance Note 2024/8\(LG\)](#) explain that the source data is provided to actuaries by the pension fund.

21. Each employer body should have arrangements to satisfy itself that the source data provided to the actuary is complete and accurate. However, auditors of employer bodies may judge that they require information from the auditors of the pension fund.

Planning

22. Employer body auditors should plan their approach to obtaining information on the completeness and accuracy of source data. Where auditors decide to request information from the pension fund auditor, they should communicate in good time to enable the auditor to appropriately tailor their procedures:

Range of requested information

23. I&Q has consulted with auditors of employer bodies on the information likely to be requested from the pension fund auditor. The range of potential information is summarised in the following table:

Assurance area	Explanation
Controls	<p>An outline of the system at the pension fund to establish the accuracy and completeness of the source data provided to the actuaries in relation to IAS 19 reporting at 31 March 2025.</p> <p>An outline of the system at the pension fund to establish the accuracy and completeness of the source data provided to the actuaries in relation to the triennial valuation at 31 March 2023, including the work undertaken to confirm the correct classification of investments (between Levels 1, 2 and 3) and the audit work undertaken on each type.</p> <p>An evaluation of the suitability of the design of the related controls including explicit reference to the work undertaken to ensure that all valuations are independent of the Fund Managers.</p> <p>The results of any relevant controls testing and the auditor's conclusion as to the operating effectiveness of those controls.</p> <p>The results of any review of Service Auditor reports and how any control issues identified have been evaluated and addressed.</p>
Actuary's guidance	Confirmation that the pension fund has taken account of relevant guidance and briefings provided by the actuary.
Cashflow information provided to actuary	Cashflow estimates (contributions, benefits, investment returns) provided to the actuary in respect of the employer body for 2024/25.
Actual cashflow	Actual cashflows (benefits and investment returns) for 2024/25.
Assets	<p>Total pension fund assets at 31 March 2025.</p> <p>Details of the pension fund auditor's testing approach, including sample sizes, and findings in relation to pension fund assets as at 31 March 2025, including an explanation of the auditors procedures and findings on the allocation of pension fund assets.</p>
Laws and regulations	Information regarding the pension fund auditor's knowledge of any non-compliance with laws and regulations which may impact on the audit opinion on the employer body.

Assurance area	Explanation
Fraud	Any other significant matters arising during the pension fund auditor's work, including any instances of fraud or suspected fraud.

24. An illustrative letter for requesting information is provided at Appendix 3 of this protocol along with an illustrative response at Appendix 4. They should be tailored locally as appropriate by the employer body auditor for the actual information requested (which should not generally be outwith those listed above) and by the pension fund auditor for the information that can be provided.

25. It is important that the pension fund auditors provide an initial response either agreeing that the requested information will be provided or commencing a discussion on the actual information that can be provided

26. Where the auditors of the pension fund have not carried out sufficient procedures to fully satisfy the information requested by the auditor of the employer body, further procedures may be required. It is more efficient if the procedures are performed by the auditor of the pension fund but, in the event this is not possible, arrangements should be made with the pension fund for the auditor of the employer to perform the procedures directly.

Timescales for requesting and providing information

27. The timescales for requesting and providing appropriate information is summarised in the following table:

Deadline	Action
24 April 2025	Auditors of employer bodies to communicate their requests for information to the pension fund auditor.
29 May 2025	Auditors of pension fund to provide an initial response indicating the information that they intend to provide and the timescales (any significant delays should be communicated as they arise).
7 August 2025	Auditors of pension fund to provide agreed information in a substantive response.
21 August 2025	Auditors of pension fund to provide any required clarifications or responses to follow up queries.

28. In managing overall audit delivery demands, I&Q understands that auditors have to prioritise the completion of some audits over others. However, auditors of employer bodies have indicated that delays in the completion of 2023/24 pension fund audits impacted their ability to complete the employer body audits. Auditors of pension funds are asked

to pay due regard to the needs of employer body auditors in their
prioritisation considerations for 2024/25.

Appendix 1. Employer body contributions – request

Illustrative letter

Introduction

I am writing to you in respect of the financial statements for the year ended 31 March 2025 of [name of pension fund]. [Name of employer body] is a [scheduled/admitted body] of the pension fund.

[Insert name of pension fund] is responsible for the preparation of financial statements that give a true and fair view of its financial position and performance. [Insert name of employer body] is responsible for the deduction and payment of pension contributions to the pension fund which form part of those financial statements.

[Insert name of appointed auditor] is the appointed auditor for the [insert name of pension fund]. This letter is a request for you in your capacity as appointment lead in the audit of [insert name of employer body] to provide information in relation to the arrangements in place at the body for the payment of contributions to the pension fund. This request is made in accordance with Audit Scotland's Protocol for Auditor Assurances 2024/25 – Local Government Pension Scheme.

Requested Information

To assist [insert name of appointed auditor of pension fund] in forming a conclusion on the arrangements at [insert name of employer body], please provide [tailor the list as appropriate]:

- an outline of the system for the accurate and complete deduction and payment of contributions to the pension fund
- your evaluation of the suitability of the design of the controls related to the system for the accuracy and completeness of contributions
- the results of any tests of controls and your conclusion as to the operating effectiveness of those controls
- total amounts in relation to employee and employer contributions paid for a sample of [insert number] months
- the results of any substantive testing undertaken on contributions in the year and confirmation that they were at the correct rate

- for a sample of [insert number] starters and leavers: employee NI Number, the date started/left, salary, pension contribution (employee and employer) and the date of the first pension contribution
- information regarding your knowledge of any non-compliance with laws and regulations of which you are aware which may impact on our audit opinion on the financial statements of [insert employer body name] and
- any other significant matters arising during your work, including any instances of fraud or suspected fraud.

Responsibilities and acknowledgements

[Insert name of appointed auditor of pension fund] acknowledges that:

- your work was not initially planned in contemplation of the audit of [insert name of pension fund]
- your audit of [insert name of employer body], in accordance with the Code of Audit Practice, would not necessarily identify matters in which [Insert name of appointed auditor of pension fund] may be primarily interested
- it is for [insert name of appointed auditor of pension fund] to conclude on the work required to support the opinion on the financial statements of [insert name of pension fund] and your work does not substitute for the audit procedures set out in International Standards on Auditing (ISAs) and
- it is for [insert name of appointed auditor of pension fund] to consider the extent to which additional procedures should be performed in order to comply with ISAs.

Timescales

In accordance with timescales set out in the Protocol for Auditor Assurances 2024/25 – Local Government Pension Scheme, I should be grateful if you would:

- confirm by 29 May 2025 that you are able to provide the information requested in this letter
- provide the requested information by 7 August 2025 at the latest.

Please inform me of any expected delays.

Appendix 2. Employer body contributions - response

Illustrative letter

Introduction

I am writing to you in my capacity as appointment lead for the audit of [insert name of employer body] in accordance with your request under Audit Scotland's Protocol for Auditor Assurances 2024/25 – Local Government Pension Scheme, in relation to your audit of [insert name of pension fund].

As stated in your letter of xx April 2025, [insert name of employer body] is responsible for the deduction and payment of pension contributions to the pension fund and these amounts form part of the pension fund financial statements.

[Insert name of the pension fund] remains responsible for the preparation of financial statements that give a true and fair view of its financial position and performance.

It is for individual auditors to conclude on the work required to support their opinion on the financial statements of their audited bodies. Our work does not substitute for your own audit procedures in accordance with International Standards on Auditing.

Information

[Tailor the list to reflect actual information requested and extent of information actually provided]

- An outline of the system at [insert name of employer body] for the accurate and complete deduction and payment of contributions to the pension fund is set out in Appendix 1.
- In my opinion, the related controls are suitably designed to achieve the control objectives.
- [We did not perform any tests of controls/Our tests of controls did not identify any significant issues with their operating effectiveness/Our controls testing identified the following significant weaknesses with their operating effectiveness].
- Employee and employer contributions paid to the pension fund for [insert sample months] were [insert amounts].

- Payroll sample testing of individual employees confirmed that both employee and employer contributions had been correctly calculated and included in the monthly payments. Details are provided in the attached protected spreadsheet, the password for which will be communicated separately.
- Details for [insert number] starters and leavers are included in the attached protected spreadsheet.
- The audit of [insert name of employer body] is not yet complete, but at this stage there is nothing to report in relation to non-compliance with laws and regulations or other significant matters including fraud or suspected fraud.

Responsibilities and acknowledgements

This letter is supplied on the understanding that it is for the sole use of the persons to whom it is addressed and for the purposes stated.

Our work was not initially planned in contemplation of your audit of [insert name of pension fund] and our audit in accordance with the Code of Audit Practice would not necessarily identify matters in which you may be interested. Additional procedures were however undertaken in order to provide you with your requested information.

It is for you to consider the extent to which you should perform additional procedures in order to comply with International Standards on Auditing.

Appendix 3. Actuary reporting - request

Illustrative letter

Introduction

I am writing to you in respect of the financial statements for the year ended 31 March 2025 of [name of employer body]. The body is a [scheduled/admitted] body of the [insert name of pension fund].

[Insert name of employer body] is responsible for the preparation of financial statements that give a true and fair view of its financial position and performance. [Insert name of pension fund] provides information to the scheme actuaries which is used to prepare a report under IAS 19 on which the body relies to produce its financial statements.

[Insert name of appointed auditor] is the appointed auditor for the [insert name of employer body]. This letter is a request for you in your capacity as appointment lead in the audit of [insert name of pension fund] to provide information in relation to the arrangements in place at the pension fund for the provision of information to the actuary for IAS 19 reporting purposes. This request is made in accordance with Audit Scotland's Protocol for Auditor Assurances 2024/25 – Local Government Pension Scheme.

Requested Information

To assist [insert name of appointed auditor of employer body] in forming a conclusion on the arrangements at [insert name of pension fund], please provide [tailor list as appropriate]:

- an outline of the systems to establish the accuracy and completeness of the source data provided to the actuary in relation to IAS 19 reporting at 31 March 2025
- an outline of the system at the pension fund to establish the accuracy and completeness of the source data provided to the actuaries in relation to the triennial valuation at 31 March 2023, including the work undertaken to confirm the correct classification of investments (between levels 1, 2 and 3) and the audit work undertaken on each type
- your evaluation of the suitability of the design of the controls related to the system for the accuracy and completeness of source data, including explicit reference to the work undertaken to ensure that all valuations are independent of the Fund Managers

- the results of any tests of controls and your conclusion as to the operating effectiveness of those controls
- the results of any review of Service Auditor reports and how any control issues identified have been evaluated and addressed
- confirmation that the pension fund has taken account of relevant guidance and briefings provided by the actuary in relation to IAS 19 reporting
- cashflow estimates provided to the actuary in respect of [insert name of employer body]
- actual cashflow information for the year
- total pension fund assets at 31 March 2025, and details of your testing approach, including sample sizes, materiality level, findings in relation to those assets, including the allocation
- information regarding your knowledge of any non-compliance with laws and regulations of which you are aware which may impact on our audit opinion on [insert employer body name] and
- any other significant matters arising during your work, including any instances of fraud or suspected fraud.

Responsibilities and acknowledgements

[Insert name of appointed auditor of employer body] acknowledges that:

- your work was not initially planned in contemplation of our audit of [insert name of employer body]
- your audit of [insert name of pension fund], in accordance with your statutory responsibilities, would not necessarily identify matters in which we may be primarily interested
- it is for us to conclude on the work required to support our opinion of the financial statements of [insert name of employer body] and your work does not substitute for the audit procedures set out in International Standards on Auditing (ISAs) and
- it is for us to consider the extent to which we should perform additional procedures in order to comply with ISAs.

Timescales

In accordance with timescales set out in the Protocol for Auditor Assurances 2024/25– Local Government Pension Scheme, I should be grateful if you would:

- confirm by 29 May 2025 that you are able to provide the information requested in this letter
- provide the requested information by 7 August 2025 at the latest.

Please inform me of any expected delays. If you respond to this letter based on interim results, please provide an update of your responses if, on conclusion of your work, material differences have been identified.

Appendix 4. Actuary reporting - response

Illustrative letter

Introduction

I am writing to you in my capacity as appointment lead for the audit of [insert name of pension fund] in accordance with your request under Audit Scotland's Protocol for Auditor Assurances 2024/25 – Local Government Pension Scheme, in relation to your audit of [insert name of employer body].

As stated in your letter of xx April 2025, [insert name of employer body] is a scheduled/admitted body of the pension fund and as such relies on the pension fund providing information to the actuary for the purposes of IAS 19 reporting.

[insert name of the employer body] remains responsible for the preparation of financial statements that give a true and fair view of their financial position and performance.

It is for individual auditors to conclude on the work required to support their opinion on the financial statements of their audited bodies. Our work does not substitute for your own audit procedures in accordance with International Standards on Auditing.

Information

[Tailor the list to reflect actual information requested and extent of information actually provided]

- An outline of the system at [insert name of pension fund] to establish the accuracy and completeness of the source data provided to the actuary in relation to IAS 19 reporting at 31 March 2025 is set out in Appendix 1.
- An outline of the system at the pension fund to establish the accuracy and completeness of the source data provided to the actuaries in relation to the triennial valuation at 31 March 2023 including work undertaken to confirm the correct classification of investments (between levels 1, 2 and 3) and the audit work undertaken on each type is set out at Appendix 2.

- In my opinion, the related controls are suitably designed to achieve the control objectives, including ensuring that all valuations are independent of the Fund Managers
- [We did not perform any tests of controls/Our tests of controls did not identify any significant issues with their operating effectiveness/Our controls testing identified the following significant weaknesses with their operating effectiveness].
- The results of our review of Service Auditor reports and how the control issues identified have been evaluated and addressed
- The pension fund has taken account of relevant guidance and briefings provided by the actuary.
- Cashflow information provided to the actuary relevant to [insert name of employer body]'s IAS 19 report is included at Appendix 2.
- The actual cashflow information for the year to 31 March 2025 and assets at that date for [insert name of employer body] is included at Appendix 3. These amounts are consistent with the pension fund's analysis of the totals that appear in the pension fund annual accounts for the year.
- Our approach to testing of pension fund assets, including sample sizes, and findings on the allocation of assets is set out at Appendix 4. Our materiality level for the audit is [insert amount].
- Our audit is not yet complete, but at this stage there is nothing to report in respect of non-compliance with laws and regulations or any other significant matter including any instances of fraud or suspected fraud.

Responsibilities and acknowledgements

This letter is supplied on the understanding that it is for the sole use of the persons to whom it is addressed and for the purposes stated.

Our work was not initially planned in contemplation of your audit of [insert name of employer body] and our audit in accordance with our statutory responsibilities would not necessarily identify matters in which you may be interested. Additional procedures were however undertaken in order to provide you with your requested information.

It is for you to consider the extent to which you should perform additional procedures in order to comply with International Standards on Auditing.

[We have responded to your letter based on interim results. We will provide an update if, on conclusion of our work, material differences have been identified.]

Protocol for Auditor Assurance 2024/25

Local Government Pension Scheme



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