

4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

**T:** 0131 625 1500  
**E:** [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
**www.audit-scotland.gov.uk**



## **Dundee City Council Pension Sub-Committee**

**22 September 2025**

### **Audit of Tayside Pension Fund 2024/25 annual report and accounts**

#### **Independent Auditor's Report**

1. My audit work on the 2024/25 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to later in this letter and receipt of a revised set of annual accounts for final review, I anticipate being able to issue unmodified audit opinions in the Independent Auditor's Report on 22 September 2025. The proposed Independent Auditor's Report is attached at [Appendix A](#).

#### **Annual Audit Report**

2. Under International Standards on Auditing in the UK (ISA (UK)), I am required to report specific matters identified from the audit of the annual accounts to those charged with governance of Tayside Pension Fund in sufficient time to enable appropriate action. For Tayside Pension Fund, those charged with governance is Pension Sub-Committee. I present for the committee's consideration my draft Annual Audit Report on the 2024/25 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts, including those that I am required to report to you.

3. The Annual Audit Report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. The Annual Audit Report will be issued in final form after the audit of the annual accounts has been completed.

#### **Uncorrected misstatements**

5. I also report to those charged with governance all uncorrected misstatements in the annual accounts which I have identified during the course of my audit, other than those of a trivial nature, and request that these misstatements be corrected.

6. There are no uncorrected misstatements to report.

#### **Other ISA (UK) matters**

7. In presenting this letter and the Annual Audit Report to the Pension Sub-Committee, I seek confirmation from those charged with governance on the following matters:

- if they are aware of any instances of actual, suspected, or alleged fraud,
- if they are aware of any subsequent events that have occurred since the date of the financial statements,
- if they are content that the methods, assumptions, and data used in making accounting estimates in the annual accounts are appropriate,

- if all related party relationships and transactions they are aware of are reflected in the annual accounts, and
- if they are aware of any non-compliance with laws and regulations.

**8.** Any issues that I have identified from my audit in relation to other ISA (UK) matters that I am required to report to those charged with governance have been reported in the section headed “Other matters to report” in the Annual Audit Report.

### **Representations from the Section 95 Officer**

**9.** As part of the completion of the audit, I am seeking written representations from the Executive Director of Corporate Services who is the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.

**10.** A draft letter of representations is attached at [Appendix B](#). This should be signed and returned to me by the Section 95 Officer with the signed annual accounts prior to the Independent Auditor’s Report being signed.

## Appendix A: Proposed Independent Auditor's Report

### Independent auditor's report to the members of Dundee City Council as administering authority for Tayside Pension Fund and the Accounts Commission

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Tayside Pension Fund (the fund) for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the fund's current or future financial sustainability. However, I report on the fund's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### **Responsibilities of the Executive Director of Corporate Services and Pension Sub-Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Executive Director of Corporate Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Services is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the fund's operations.

The Pension Sub-Committee is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund;
- inquiring of the Executive Director of Corporate Services as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;
- inquiring of the Executive Director of Corporate Services concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the fund's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Other information

The Executive Director of Corporate Services is responsible for the other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and my auditor's report thereon.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary, Annual Governance Statement and Governance Compliance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary, Annual Governance Statement and Governance Compliance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in

accordance with statutory guidance issued under the Local Government in Scotland Act 2003;

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

### **Matters on which I am required to report by exception**

I required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual report, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Rachel Browne CPFA  
Audit Director, Audit Scotland  
4<sup>th</sup> Floor, 102 West Port  
Edinburgh  
EH3 9DN

## Appendix B: Letter of Representations (ISA (UK) 580)

### The Section 95 Officer should reproduce this on the audited body's letterhead

Rachel Browne  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

Dear Rachel,

### Tayside Pension Fund

#### Annual report and accounts 2024/25

1. This representation letter is provided in connection with your audit of the annual report and accounts of Tayside Pension Fund, for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view and have been properly prepared, and for expressing other opinions on the Management Commentary, Annual Governance Statement and Governance Compliance Statement.
2. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of Tayside Pension Fund's annual report and accounts for the year ended 31 March 2025.

#### General

3. I have fulfilled my responsibilities for the preparation of the 2024/25 annual report and accounts as set out in your 2024/25 Annual Audit Plan. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the annual report and accounts have been made available to you for the purposes of your audit. All transactions undertaken by Tayside Pension Fund have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. As you have reported, there are no uncorrected misstatements.

#### Financial Reporting Framework

5. The annual report and accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (2024/25 Code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and the Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, I have ensured that the financial statements give a true and fair view of the financial position of Tayside Pension Fund at 31 March 2025 and the transactions for 2024/25.

## **Accounting Policies and Estimates**

**7.** All material accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2024/25 Code, where applicable. Where the 2024/25 Code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Tayside Pension Fund's circumstances and have been consistently applied.

**8.** The methodology, significant assumptions, and data used in making accounting estimates are reasonable, and have been properly reflected and disclosed in the financial statements in accordance with the 2024/25 Code. Judgements made in making estimates have been based on the latest available and reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

**9.** I have assessed Tayside Pension Fund's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Tayside Pension Fund's ability to continue to adopt the going concern basis of accounting.

## **Contributions – Pension Strain**

**10.** All contributions due to the fund have been properly identified and accounted for. In particular the 'strain on the fund' costs have been properly recharged to relevant services and bodies.

## **Assets**

**11.** All assets at 31 March 2025 of which I am aware have been reported in the financial statements.

## **Investments**

**12.** For the year ended 31 March 2025, the amounts included in the net assets statement reflect investments managed externally by appointed fund managers and the global custodian on behalf of the fund. Amounts have been calculated in accordance with approved bases of valuation and fairly represent the values at 31 March 2025. In making these assertions I am reliant on the opinions of the appointed fund managers. As far as we can reasonably ascertain, all assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Banking and Cash Flow Arrangements**

**13.** The pension fund maintains a separate bank account and while these accounts form part of Dundee City Council's treasury management arrangements, the pension fund can demonstrate that there is no borrowing from the administering authority. Amounts due to the administering authority to cover daily cash flows such as payments through the council's systems are reimbursed on a regular basis.

## **Other Current Assets**

**14.** On realisation in the ordinary course of the Fund's business, the other current assets in the Net Assets Statement are expected, in my opinion, to produce at least the amounts at which they are stated. In particular adequate provision has, in my opinion, been made against all amounts owing which are known or may be expected to be irrecoverable.

## **Actuarial Assumptions**

**15.** The pension assumptions made by the actuary in the IAS26 report as at 31 March 2025 have been reviewed and I confirm that they are consistent with management's own view.

## **Liabilities**

**16.** All liabilities at 31 March 2025 of which I am aware have been reported in the financial statements.

## **Provisions**

**17.** There are no provisions included in the financial statements of the Tayside Pension Fund for 2024/25.

## **Commitments**

**18.** There are no significant commitments or obligations including financial guarantees and offers of financial support which might adversely affect the fund.

## **Carrying Value of Assets and Liabilities**

**19.** The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

## **Contingent Liabilities/assets**

**20.** There are no significant contingent liabilities or contingent assets, other than those disclosed in Note 18 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the financial statements. All known contingent liabilities have been fully and properly disclosed in accordance with IAS 37, as adopted by the 2024/25 Code.

## **Litigation and Claims**

**21.** All known actual or possible legal claims have been disclosed to you and have been accounted for and disclosed in the financial statements in accordance with the 2024/25 Code.

## **Fraud**

**22.** I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

**23.** I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud,
- any allegations of fraud or suspected fraud affecting the financial statements, and
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## **Laws and Regulations**

**24.** I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

**25.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24, as adopted by the 2024/25 Code. I have made available to you the identity of all of Tayside Pension Fund's related parties and all the related party transactions of which I am aware.

## **Management Commentary**

**26.** I confirm that the Management Commentary has been prepared in accordance with statutory guidance, and the information is consistent with the financial statements.

## **Corporate Governance**

**27.** I confirm Tayside Pension Fund has undertaken a review of the system of internal control during 2024/25 to establish the extent to which it complies with proper practices set out in *Delivering Good Governance in Local Government: Framework 2016*. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

**28.** I confirm that the Annual Governance Statement has been prepared in accordance with the *Delivering Good Governance in Local Government: Framework 2016* and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements, or issues identified, since 31 March 2025 which require to be reflected in the Annual Governance Statement or annual accounts.

## **Events Subsequent to the Date of the Net Assets Statement**

**29.** All events subsequent to 31 March 2025 for which IAS 10, as adopted by the 2024/25 Code, requires adjustment or disclosure have been adjusted or disclosed.

## **Other Matters**

**30.** Except as disclosed in the financial statements, the results for the period were not materially affected by:

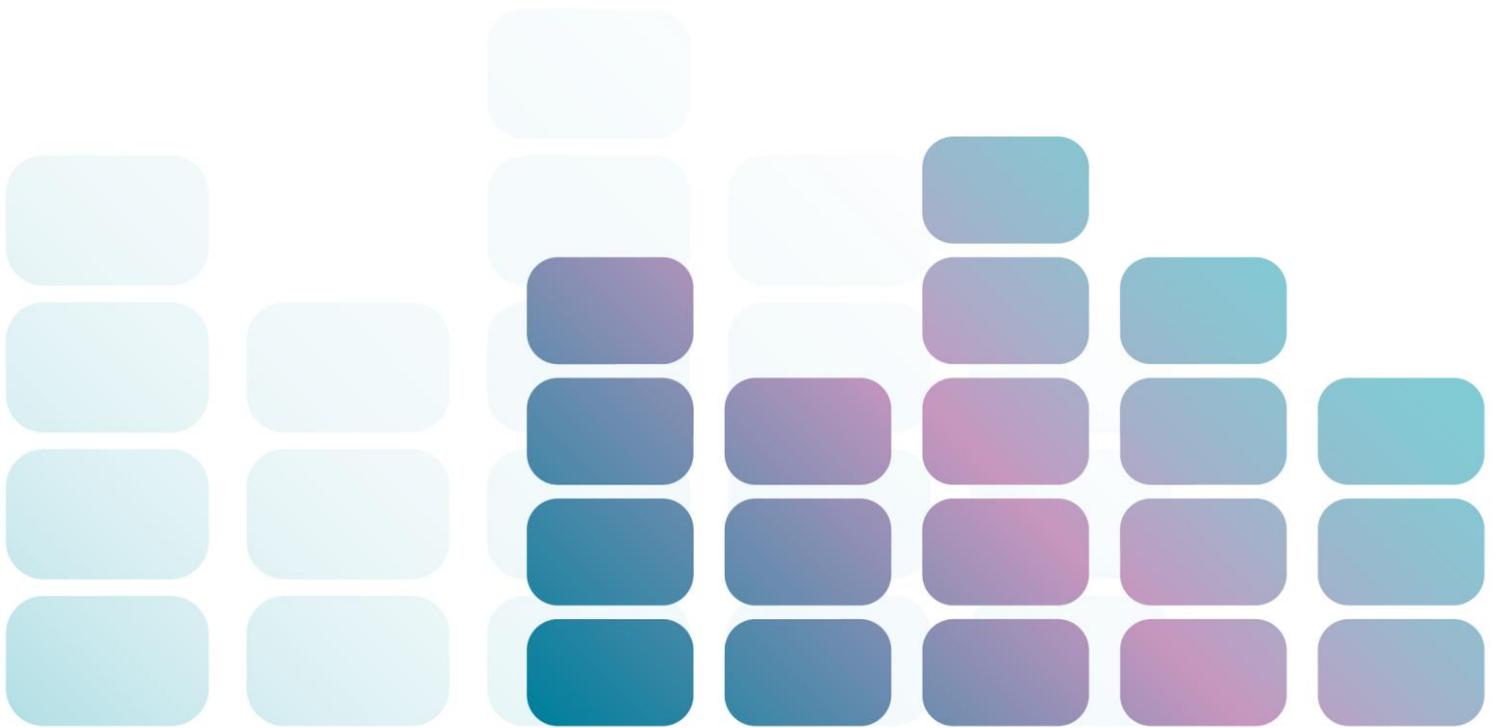
- (i) transactions of a sort not usually undertaken by Tayside Pension Fund;
- (ii) circumstances of an exceptional or non-recurrent nature;
- (iii) charges or credits relating to prior periods; and
- (iv) any change in the basis of accounting.

Yours sincerely

Paul Thomson  
Executive Director of Corporate Services, Dundee City Council

# Tayside Pension Fund

## Proposed 2024/25 Annual Audit Report



Prepared for the Dundee City Council Pension Sub-Committee and the Controller of Audit  
September 2025

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## Accessibility

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

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# Key messages

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## Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 The 2024/25 annual report and accounts were certified on 22 September 2025, in line with the agreed audit timetable.

## Wider scope and Best Value audit

- 3 The fund has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
  - 4 The net assets of the fund increased by 13.1 per cent to £5.566 billion as at 31 March 2025 but the annual fund investment return was below the benchmark set.
  - 5 Based on the most recent funding valuation and the net asset position at 31 March 2025, we currently have no concerns about the financial sustainability of the fund or the viability of the funding strategy.
  - 6 Governance arrangements are generally appropriate but the training needs assessment for Pension Sub-committee and Pension Board members should be completed and used to inform training plans.
  - 7 Fund administration performance against key targets improved from the previous year.
  - 8 The administering authority has appropriate arrangements in place for securing Best Value at Tayside Pension Fund.
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# Introduction

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## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Tayside Pension Fund annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Tayside Pension Fund, hereafter referred to as 'the fund', and the Controller of Audit and will be published on [Audit Scotland's website](#) in due course.

## Appointed auditor and independence

3. Rachel Browne, of Audit Scotland, has been appointed as external auditor of the fund for the period from 2023/24 until 2026/27. As reported in the Annual Audit Plan, Rachel Browne as engagement lead and the audit team are independent of the fund in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the fund, including no provision of non-audit services.

## Acknowledgements

4. We would like to thank the fund and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the audit appointment.

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# Audit scope and responsibilities

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## Scope of the audit

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

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary, Annual Governance Statement and Governance Compliance Statement.
- Conclusions on the fund's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the fund's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

## Responsibilities and reporting

**6.** The Code of Audit Practice sets out the respective responsibilities of the fund and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

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

**8.** The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the fund from its responsibilities outlined below.

**9.** The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

### **The fund's responsibilities**

**10.** The fund has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

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

### **National performance audit reporting**

**11.** The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the fund and pension fund sub-committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

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# Audit of the annual report and accounts

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## Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

The 2024/25 annual report and accounts were certified on 22 September 2025, in line with the agreed audit timetable.

## Audit opinions on the annual report and accounts

**12.** The Tayside Pension Fund annual report and accounts were approved by Dundee City Council's Pension Sub-committee on 22 September 2025 and certified by the appointed auditor on the same date. The Independent Auditor's Report is included in the fund's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



## Audit timetable

**13.** The unaudited annual report and accounts and all working papers were received on 25 June 2025 in accordance with the agreed audit timetable. The accounts and working papers presented for audit were of a good standard and officers provided excellent support to the team during the audit process. This helped us to complete the audit in line with the audit timetable.

## Audit Fee

**14.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £32,790. We have charged an additional fee of £3,076 for the additional procedures required to audit complex and hard to value assets (see [paragraph 29](#)). As a result, the total audit fee charged for the 2024/25 audit is £35,866.

## Materiality

**15.** The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected

misstatements on the financial statements or other information reported in the annual accounts.

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

**17.** Materiality levels for the audit of the fund were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. No changes were required to the materiality levels, which are outlined in [Exhibit 1](#).

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## Exhibit 1

### 2024/25 Materiality levels for the fund

Materiality	Tayside Pension Fund
<b>Materiality</b> – set at 2 per cent of Net Assets	£110 million
<b>Performance materiality</b> – set at 65 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£71.5 million
<b>Reporting threshold</b> – set at 5 per cent of materiality.	£1.1 million

Source: Audit Scotland

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## Significant findings and key audit matters

**18.** ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the fund is the pension sub-committee.

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

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

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

**21.** The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

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## Exhibit 2

### Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p><b>Investment asset values as at 31 March 2025</b></p> <p>As part of our financial statements audit we are required to verify the year end investment asset values in the Net Assets Statement to the underlying fund manager reports.</p> <p>We completed a reconciliation between the fund manager reports and the custodian reports and identified differences between the investment asset values within the accounts and the values per the fund managers' information. In terms of the impact on the accounts, our testing highlighted a net overstatement of investment assets of £4.3 million.</p> <p>Management has advised that these differences relate to timing differences. For some investments it is the timing of when the fund manager reports were run at the year end and both are valid valuations at that date. For other investments (such as private equity or infrastructure) there is a three-month lag after each quarter end and the fund uses the best available information at the time of preparing the financial statements.</p>	<p>We have accepted management's explanation and are content that the investment assets value in the audited accounts is not materially misstated. As the value of the difference exceeds our minimum reporting threshold it has been reported for members' information.</p> <p>Management has committed to completing reconciliations between the fund manager accounts and the custodian report going forward. This will help with understanding discrepancies and improved management oversight.</p> <p><a href="#">Recommendation 1</a></p>

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Significant findings and key audit matters	Outcome
<p><b>The actuarial valuation of future retirement benefits was identified as an area of specific audit focus in our audit plan</b></p> <p>The actuarial valuation of future retirement benefits is based on a range of financial and demographic estimations about the future including investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions. The subjectivity around these estimates gives rise to a risk of material misstatement in the financial statements.</p>	<p>To address this risk we assessed the competence, capabilities, and objectivity of the actuary in line with ISA 500; we reviewed the information provided to the actuary by the fund, and the assumptions used by the actuary to reach the valuation of future retirement benefits; and we reviewed officers' arrangements for ensuring the completeness and accuracy of professional estimations for pensions.</p> <p>We were satisfied that the actuarial valuation of future retirement benefits was not materially misstated.</p> <p>This is reported as a key audit matter.</p>

Source: Audit Scotland

## Qualitative aspects of accounting practices

**22.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the fund's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

### Accounting policies

**23.** The appropriateness of accounting policies adopted by the fund was assessed as part of the audit. These were considered to be appropriate to the circumstances of the fund, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

### Accounting estimates

**24.** Accounting estimates are used in number of areas in the fund's financial statements, including the valuation of investment assets and the actuarial present value of promised future benefits. Audit work considered the process management of the fund has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

### **Disclosures in the financial statements**

**25.** The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

### **Significant matters discussed with management**

**26.** All significant matters identified during the audit and discussed with the fund's management have been reported in the Annual Audit Report.

### **Audit adjustments**

**27.** No audit adjustments were required to the financial statements. As reported in [Exhibit 2](#), our audit identified one misstatement above the reporting threshold. It was below our materiality level and not corrected by management in the audited accounts.

### **Significant risks of material misstatement identified in the Annual Audit Plan**

**28.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3, \(page 12\)](#).

**29.** On receipt of the unaudited annual report and accounts, the material increase in Level 3 investments became an area of audit focus. We assessed this to be a non-significant risk of material misstatement, and additional audit testing was undertaken as a result.

**Exhibit 3**

## Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p><b>Fraud caused by management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li> <li>• Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> <li>• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li> </ul>	<p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>• The design and implementation of controls over journal processing were appropriate.</li> <li>• No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.</li> <li>• No significant issues were identified from testing of journal entries.</li> <li>• No significant issues were identified from transactions outside the normal course of business.</li> <li>• The controls in place for identifying and disclosing related party relationships and transactions were adequate.</li> <li>• No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.</li> </ul> <p><b>Conclusion:</b> no evidence of fraud caused by management override of controls.</p>

## Prior year recommendations

**30.** The fund has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the fund and are outlined in [Appendix 1](#).

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# Wider scope and Best Value audit

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## Conclusion

The fund has effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

The administering authority has effective and appropriate arrangements in place for securing Best Value at Tayside Pension Fund.

## Audit approach to wider scope and Best Value

### Wider scope

**31.** As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

**32.** Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the fund has in place for each of these is reported in this chapter.

### Best Value

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

**34.** Therefore, consideration of the arrangements the fund has put in place to secure Best Value has been carried out as part of the Dundee City Council audit, and a conclusion on the arrangements and any matters relating to the fund are reported in this chapter.

## Conclusions on wider scope audit

### Financial Management

**35.** The audit work performed on the arrangements the fund has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the fund:

- having effective arrangements in place, which includes comprehensive reporting on investment performance, that support sound financial management, and effective scrutiny and challenge provided by Dundee City Council Pension Sub-Committee.
- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- having adequate arrangements in place to prevent and detect fraud, error and irregularities, bribery, and corruption.

### **Net assets increased to £5.566 billion during 2024/25, but the overall annual fund investments return was 1.95% below the benchmark**

**36.** The fund's performance in 2024/25 is summarised in [Exhibit 4](#). This shows that the net assets of the fund increased from £5.494 billion at 31 March 2024 to £5.566 billion at 31 March 2025. This £0.072 billion (13.1 per cent) increase in net assets was mainly attributable to an increase in the cash deposits (£0.071 billion) during the year.

**37.** Market value changes contributed to an annual fund investment return of 3.25 per cent, which was below the benchmark return set for the year of 5.2 per cent. While bond portfolios delivered relative resilience, most other asset classes underperformed, which also impacted longer-term performance figures.

**38.** [Exhibit 4](#) also shows that the overall funding level of the fund has remained at 110 per cent at 31 March 2025 using assumptions consistent with those adopted for the 2023 triennial valuation.

**Exhibit 4****Assets, funding level and investment performance**

Increase in net assets	Funding level	Investment performance
<b>£5.566 billion</b> Net assets as at 31 March 2025 (+13.1%)	<b>110%</b> At 31 March 2025 (interim valuation using assumptions consistent with those adopted for the 2023 triennial valuation)	<b>3.25%</b> Return on investments 2024/25
<b>£5.494 billion</b> Net assets as at 31 March 2024	<b>110%</b> As at last formal funding valuation (31 March 2023)	<b>14.59%</b> Return on investments 2023/24

Source: Tayside Pension Fund 2024/25 Annual Report and Accounts

**39.** When considering the overall investment performance of the fund during 2024/25, it is important to recognise the impact of world events on financial markets and investments. There continues to be a challenging global backdrop, with world events having an impact on financial markets and investments. Trade policy tensions and geopolitical tensions in the second half of the year has tempered growth and is likely to continue to impact financial markets during 2025/26.

**The fund reported a deficit from dealings with members of £94.8 million for 2024/25**

**40.** The fund reported a deficit from dealings with members of £94.8 million in 2024/25 (£28.8 million in 2023/24 and £19.3 million in 2022/23). This means that pension payments exceeded member contributions and investment income was used to ensure pensions were paid.

**41.** The figure for 2024/25 is significantly higher than previous years due to the Scottish Fire and Rescue Service consolidating all its LGPS members into one administering fund, Strathclyde Pension Fund. The bulk transfer value out of Tayside Pension Fund was £39.268 million.

**Governance and training requirements**

**42.** Members of the Pension Sub-Committee are required to be familiar with the rules governing the pension scheme, as well as any relevant policies related to its administration. In addition, members must possess an appropriate level of knowledge and understanding of pension legislation. A key component of this requirement is the completion of a training needs assessment for all board members.

**43.** During the 2023/24 period, a training needs assessment was issued to all committee members. However, due to staff absences within the fund team, the assessment was not followed up or completed. As a result, no progress has been made in finalising the training needs assessment for committee members.

## Recommendation 2

To ensure compliance with governance requirements and to support the effective oversight of the pension scheme, the training needs assessment process should be followed up and completed, to inform learning and development plans for members.

## Financial Sustainability

**44.** The audit work performed on the arrangements the fund has in place for securing financial sustainability found that these were effective and appropriate.

- the fund is working towards diversifying the fund assets to the strategy as agreed after the latest triennial funding review of the fund.
- the ratio of active members to pensioners has decreased again and there are now more pensioners than active members for the first time.
- the fund continues to monitor cashflows and we are content that the fund has a strategy in place that will allow it to continue to have a positive assets to liabilities ratio.

### **The fund has made significant progress towards diversifying the portfolio in 2024/25.**

**45.** In addition to the progress noted below in [Exhibit 5](#), in June 2025 the fund approved the creation of the diversified alternatives portfolio. The fund is progressing with the appointment of a fund manager for the portfolio.

**Exhibit 5**

Asset distribution of the fund's investment portfolio over time

Asset class	Asset allocation					Variance from target at 31 March 2025 (%)
	Target (%)	31 March 2022 (%)	31 March 2023 (%)	31 March 2024 (%)	31 March 2025 (%)	
<b>Equities</b>	65.0	71.7	73.4	72.8	67.4	+2.4
<b>Bonds, Gilts</b>	13.0	16.8	15.9	13.1	13.1	+0.1
<b>Property</b>	12.0	11.4	10.5	9.4	12.4	+0.4
<b>Alternatives</b>	10.0	0.1	0.2	4.7	7.1	-2.9

Source: Tayside Pension Fund Annual Report and Accounts 2021/22 to 2024/25.

**46.** The Fund's Actuarial Services and Investment Consultancy were scheduled for tender in 2024/25. However, the custodian contract has been extended by 18 months, while both the Internal Audit service and the Investment Advisor (ISIO) have received 12-month extensions.

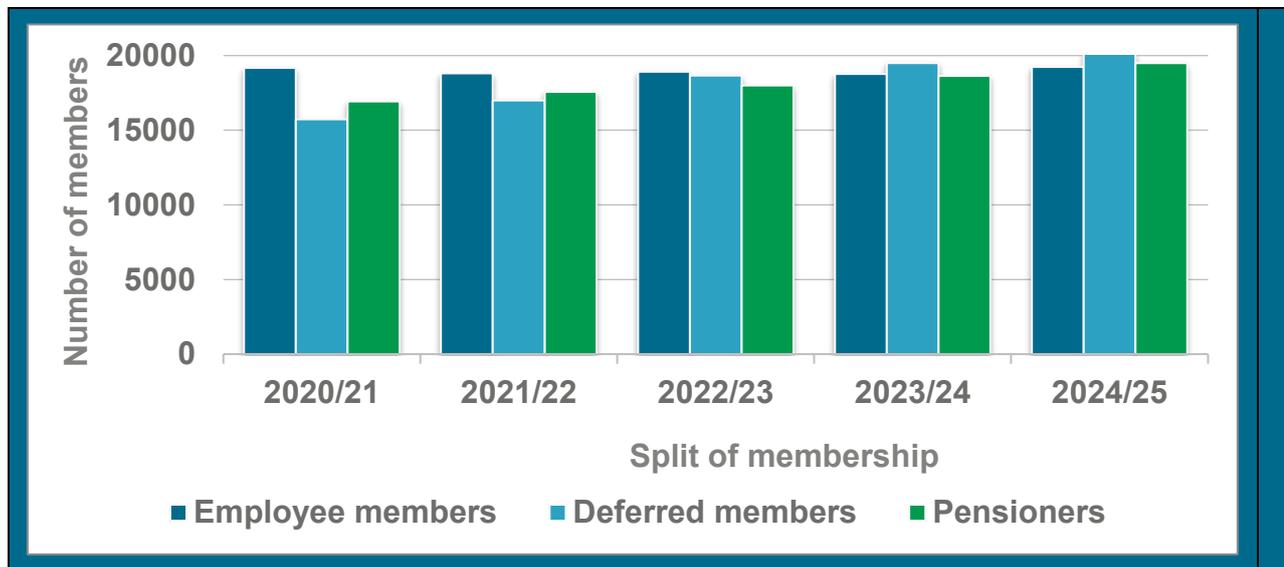
**47.** A review of the tendering process will be required for 2025/26 to ensure that all necessary external services are procured in a timely manner. This will support the Fund's commitment to securing value for money and maintaining the standards of service delivery.

**Overall membership has increased over the last five years but the ratio of active members to pensioners has continued to reduce over the same period.**

**48.** The fund is a multi-employer fund with 40 employers at 31 March 2025 comprising 11 scheduled bodies (including Dundee City, Angus and Perth & Kinross Councils) and 29 admitted bodies. The current membership profile is shown at [Exhibit 6](#).

## Exhibit 6 Tayside Pension Fund membership

The ratio of active members to pensioners has reduced over the last five years



Source: Tayside Pension Fund Annual Report and Accounts 2020/21 to 2024/25

**49.** The fund gives its members a guarantee that in exchange for contributions during their employment, it will pay a pension until the end of each member's life. It is important that the fund maintains the capacity to meet the current and future pension entitlements of its members.

**50.** Membership of the fund increased by 2,031 (3.57 per cent) to 58,936 members during 2024/25 and has increased by 7,095 (13.69 per cent) since 2020/21. Although the number of active members continues to exceed the number of pensioners, the ratio of active members to pensioners has steadily reduced in recent years from 1.132:1 in 2020/21 to only 0.986:1 in 2024/25. This, combined with increasing life expectancy over this period, continues to place additional pressure on the fund. However, we do not believe this presents any immediate risk to the financial sustainability of the fund.

### Vision, Leadership and Governance

**51.** The audit work performed on the arrangements the fund has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the fund:

- having effective and appropriate governance arrangements in place, as reflected in the Governance Statement and Governance Compliance Statement included in the accounts
- the fund conducts its business in an open and transparent manner

- having clear financial and performance reporting in place, both internally and externally, that is linked to its Investment Strategy, and effective scrutiny and challenge of performance provided by Dundee City Council Pension Fund Sub-committee.

### **The fund has appropriate arrangements in place to support good governance and scrutiny of decision-making.**

**52.** The fund's overall governance arrangements are set out in the Annual Governance Statement and Governance Compliance Statement included in the annual report and accounts. The responsibilities of the Executive Director of Corporate Services, the Pension Sub-Committee and the Pension Board are set out in the Statement of Investment Principles which is also included within the annual report and accounts.

**53.** Dundee City Council is the administering authority for Tayside Pension Fund. The Council has delegated the responsibility for governance to the Pension Sub-Committee of the City Governance Committee. This Sub-Committee, supported by the Pension Board, is responsible for establishing arrangements that ensure the proper conduct of the affairs of Tayside Pension Fund. It is also responsible for ensuring that decisions are made within the terms of the Local Government Pension Scheme.

**54.** The main functions of the fund are the management of investments and the administration of scheme benefits. These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) regulations which are statutory instruments made under the Superannuation Act 1972 and Public Service Pensions Act 2013.

**55.** All meetings of the Pension Sub-Committee and Pension Board were held remotely via Microsoft Teams throughout 2024/25. However, we have not noted any adverse impact on the level of scrutiny at meetings due to these meetings being held remotely.

### **The fund conducts its business in an open and transparent manner**

**56.** Openness and transparency means that the public, in particular members of the fund, have access to understandable, relevant and timely information about how decisions are being taken and how resources are being used.

**57.** Public sector governance guidance indicates that an organisation that is transparent shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

**58.** There is evidence from several sources which demonstrate the fund's commitment to transparency. For example, the Pension Sub-Committee and Pensions Board meetings can be observed remotely by the public via Teams or YouTube, and the minutes of all meetings are available on the administering authority's website. The fund's annual report and accounts are also available on the administering authority's website, along with

investment and administration performance information, and key governance documents

**The management commentary in the 2024/25 annual report and accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year**

**59.** In addition to the consistency opinion on the management commentary covered in Part 1 of this report, we also consider the qualitative aspects of the management commentary included in the annual report and accounts. The purpose of the management commentary is to provide information on the fund, its main objectives and strategies, and the principal risks that it faces. It must provide a fair, balanced and reasonable analysis of a body's performance and is essential in helping stakeholders understand the financial statements. We concluded that the management commentary in the 2024/25 annual report and accounts satisfied these requirements.

**60.** Progress has been made in responding to the Pension Regulator's new General Code of Practice. The fund commissioned ISIO to review if Tayside Pension Fund complies with the new code of practice and to make recommendations for improvement. The report is due to go to the September 2025 Sub-committee meeting along with recommendations for improvement where required.

**61.** The fund continues to require that all fund managers have signed up to the United Nations Principles for Responsible Investing initiative.

**62.** There was one reportable breach of the Pensions Regulators public service code regulations during 2024/25. This was due to McCloud remedy underpin (pension protection) information not being included in the Annual Benefit Statements issued to fund members. This has been resolved.

**Use of Resources to Improve Outcomes**

**63.** The audit work performed on the arrangements the fund has in place around its use of resources to improve outcomes found that these were effective and appropriate. This judgement is evidenced by the fund:

- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- Having comprehensive reporting of the fund's administration and investment performance.

**The fund administration performance against key targets improved from the previous year**

**64.** The Pension Sub-Committee meets on a regular basis and receives regular reports on both fund administration and investment performance.

The focus of measuring the performance of pensions administration includes both member experience and statutory compliance.

**65.** Performance against pension administration targets has been reported in the Pension Administration section of the 2024/25 Annual Report and Accounts. The target data has been reported in 2024/25 for the first time which has improved the reporting by showing the target v actual performance.

**Investment performance over the last 12 months was varied, with three portfolios exceeding their benchmark during 2024/25.**

**66.** Investment performance of each fund manager and mandate is reported to the Pension Sub-committee on a quarterly basis. These reviews include details of the investment performance for each portfolio against benchmarks for a number of time frames: quarterly, 1 year, 3 years, 5 years and 10 years. This allows the members of the sub-committee to review the performance of individual fund managers on a timely basis.

**67.** An annual performance summary of the fund and its managers is prepared by ISIO, the appointed investment consultants. This report provides a detailed analysis of the factors influencing the performance of individual fund managers and their respective portfolios.

**68.** In addition to the reports referenced above, fund managers are invited to attend each sub-committee meeting. This provides committee members with the opportunity to engage directly with the managers, ask questions, and gain further insight into fund performance and strategy.

**69.** Three of the eleven investment fund manager mandates reported above benchmark annual returns, with eight reporting below benchmark returns for the year.

## **Conclusions on Best Value**

**70.** As noted at paragraph 32, statutory responsibility for arrangements for securing Best Value lies with Dundee City Council as the administering authority. The external auditors of Dundee City Council consider that overall, the council has effective and appropriate arrangements in place for securing Best Value and has a well-established governance framework.

**71.** Recommendations were made in the Dundee City Council Best Value Thematic Report 2024/25 in relation to enhanced reporting to support oversight of transformation activity and benefits, and the need to ensure transformation plans are commensurate with the scale of the financial challenges faced by the council. There were no specific matters relating to the fund.

# Appendix 1

## Action plan 2024/25

### 2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p><b>1. Investment asset values</b></p> <p>There are currently no reconciliations undertaken by management to assure themselves of the investment asset values within the accounts. The custodian, Northern Trust, completes reconciliations for four of the twelve mandates.</p> <p>This will allow management to understand any discrepancies and can make an informed decision of whether to adjust anything prior to the audit commencing. This would both improve management oversight.</p> <p><b>Risk: the discrepancies between the fund manager and custodian reports are not fully known to management.</b></p>	<p>Management should undertake a reconciliation of investment asset values between the fund manager and custodian reports. This is currently only completed for 4 of the 12 mandates.</p> <p><a href="#">Exhibit 2</a></p>	<p><b>Accepted</b></p> <p>A full investment asset value reconciliation will be completed in conjunction with the Fund custodian.</p> <p><b>Responsible Officer:</b> Senior Banking and Investment Officer</p> <p><b>Agreed date:</b> 30 June 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p><b>2. Training needs assessment</b></p> <p>A training needs assessment for Pension Sub-committee and Pension Board members has not been completed in 2024/25 due to staff absences within the fund.</p> <p><b>Risk: training needs of sub-committee members are not being met</b></p>	<p>To ensure compliance with governance requirements and to support the effective oversight of the pension scheme, the training needs assessment process should be followed up and completed, to inform learning and development plans for members.</p> <p><a href="#">Paragraphs 41-42</a></p>	<p><b>Accepted</b></p> <p>Revised training needs analysis will be issued for mandatory completion, and the importance of attendance at training events will be reiterated to members of Pension Sub-Committee and Board.</p> <p><b>Responsible officer:</b> Service Manager – Financial Services</p> <p><b>Agreed date:</b> September 2025.</p>

## Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>1. Valuation of unobservable inputs in Level 2 and Level 3 investments</b></p> <p>The fund does not currently carry out any procedures to gain independent assurance over the accuracy of valuations of Level 2 and Level 3 investments.</p> <p><b>Risk:</b> The investment assets balance may be over or under-valued in the annual accounts due to the incorrect valuation of investments containing unobservable inputs.</p>	<p>Management should ensure that adequate arrangements are in place to gain independent assurance over the fund manager valuations of Level 2 and Level 3 investments at 31 March 2025.</p> <p>Fund officers will liaise with Investment Advisors to seek assurance over asset values and level classifications.</p> <p><b>Responsible officer:</b> Senior Banking and Investment Officer</p> <p><b>Agreed date:</b> 30 June 2025</p>	<p><b>Complete</b></p> <p>We are content with the reviews in place to gain assurance over the level 2 and level 3 investments. We have completed work to test the value of the level 2 and level 3 investments and no material errors were found.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>2. Investments and derivatives disclosures</b></p> <p><i>Note 10. Investments</i> and <i>Note 12. Fair Value</i> in the 2023/24 Annual Report and Accounts do not fully reflect the disclosure requirements for LGPS funds under the Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p><b>Risk:</b> Investments and fair values disclosures do not include all the information that may be of interest to readers of the accounts to understand the fund's investment asset holdings.</p>	<p><b>Recommendation:</b> The fund should engage with the custodian to ensure that the additional investments and fair value information required is obtained and disclosed in the 2024/25 annual report and accounts.</p> <p><b>Action:</b> 2024/25 unaudited accounts will incorporate necessary investment disclosures in compliance with Code of Practice.</p> <p><b>Responsible officer:</b> Senior Banking and Investment Officer</p> <p><b>Agreed date:</b> 30 June 2025</p>	<p><b>Complete</b></p> <p>A review has been completed of note 10 and 12 within the annual report and accounts and they are now reflective of the disclosure requirements for LGPS funds under the Code of Practice on Local Authority Accounting in the United Kingdom</p>
<p><b>3. Investment portfolio asset allocation</b></p> <p>Over the last 3 years the fund has made reasonable progress in diversifying its investment portfolio to reflect the investment strategy asset allocation but still needs to reduce its level of equities and increase the proportion of investments in alternatives.</p> <p><b>Risk:</b> The fund's investment portfolio has greater exposure to equity and inflation risk over the short to medium term.</p>	<p><b>Recommendation:</b> Management should continue to take action to diversify the fund's investment portfolio to better reflect the investment strategy asset allocation, taking account of any changes resulting from the review of the investment strategy conducted after the 2023 valuation.</p> <p><b>Action:</b> Fund officers will continue to work with Investment Advisors to deliver recommendations from investment strategy reviews.</p> <p><b>Responsible officer:</b> Senior Manager – Financial Services</p> <p><b>Agreed date:</b> 30 June 2025</p>	<p><b>Complete</b></p> <p>Details of the revised allocation can be seen in the Annual report – a further investment in opportunistic alternatives has been approved by the Pension Sub-committee and work is ongoing on appointing a fund manager for the portfolio.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>4. Pensions Regulator General Code of Practice</b></p> <p>The Pensions Regulator’s new General Code of Practice sets out the standards and expectations for the governance and management of occupational pension schemes in the UK. The code, which came into force on 28 March 2024, consolidated and replaced 10 previous codes of practice. This comprehensive code aims to ensure that pension schemes are managed effectively and in the best interests of their members.</p> <p><b>Risk:</b> The fund’s existing governance arrangements, structure and operating model do not meet the requirements of the new Code.</p>	<p><b>Recommendation:</b> Management needs to identify and implement the changes required to ensure the Fund’s compliance with the Pensions Regulator’s new General Code of Practice.</p> <p><b>Action:</b> The new code requirements are noted and a review will be undertaken during the year and any necessary amendments to existing governance and policies will be made thereafter to ensure these are compliant with these arrangements.</p> <p><b>Responsible officer:</b> Senior Manager – Financial Services</p> <p><b>Agreed date:</b> 31 March 2025</p>	<p><b>Complete</b></p> <p>A detailed review has been undertaken by ISIO with the report and associated recommendations due to be presented to the September 2025 Pension Sub-committee.</p>

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Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>5. Administrative staffing capacity</b></p> <p>The number of pension administration cases increased during 2023/24, and the average days taken to process these cases nearly doubled due to an increase in the level of complex cases. This was partly attributable to the impact of implementing the remedy to fix unlawful discrimination in public service pension schemes which is placing a significant additional administrative burden on the Fund.</p> <p><b>Risk: There is a risk that the Fund will have insufficient staff capacity to complete administrative activities in line with the relevant statutory requirements and deadlines in the future.</b></p>	<p><b>Recommendation:</b> The fund should review its administrative staffing capacity to deal with the increased volume and complexity of pension administration cases, alongside implementing the remedy to fix unlawful discrimination in public service pension schemes. Consideration should be given to what contingency measures can be put in place to ensure that these activities are completed in line with the relevant statutory requirements and deadlines.</p> <p><b>Action:</b> A structure review is currently underway of our existing staffing resources. This review will focus on comparing resources, structure and processes with other Scottish LGPS. The review findings will be reported to sub-committee.</p> <p><b>Responsible officer:</b> Senior Manager – Financial Services</p> <p><b>Agreed date:</b> 31 March 2025</p>	<p><b>Work in progress</b></p> <p>Hymans Robertson have been appointed to complete a review of the staffing position of the pension fund. This is due for completion in 2025/26.</p> <p>It is expected that following review that required actions will be undertaken before end of financial year. The review will cover all areas of pension fund management.</p> <p><b>Responsible officer:</b> Executive Director Corporate Services</p> <p><b>Agreed Date:</b> 31 March 2026</p>
<p><b>6. Ad hoc payments reconciliation</b></p> <p>A year end reconciliation of ad hoc payments between the Altair pension system and the general ledger should be carried out to ensure completeness and accuracy of these payments.</p>	<p>This recommendation will be implemented for the end of the 2023/24 financial year and will be undertaken on a quarterly basis thereafter.</p> <p><b>Responsible officer:</b> Senior Banking and Investment Officer</p> <p><b>Agreed date:</b> 31 March 2024</p>	<p><b>Work in progress</b></p> <p>The reconciliations have been undertaken, however they are not fully implemented.</p> <p>Work continues within the Pension Administration team to deliver an accurate reconciliation</p> <p><b>Responsible officer:</b> Senior Banking and Investment Officer</p> <p><b>Agreed date:</b> 31 March 2026</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>7. KPI reporting</b></p> <p>Performance reporting should be improved to provide additional details on Key Performance Indicators (KPIs) such as progress against target.</p>	<p>This recommendation will be implemented for the end of the 2023/24 financial year and will be included in the annual report.</p> <p><b>Responsible officer:</b> Service Manager – Financial Services</p> <p><b>Agreed date:</b> 31 March 2024</p>	<p><b>Complete</b></p> <p>The annual report and accounts have been updated to include further information on KPI reporting. This includes adding information on target v actual performance for each KPI.</p>

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# Appendix 2

## Supporting national and performance audit reports

Report name	Date published
<a href="#">Local government budgets 2024/25</a>	15 May 2024
<a href="#">Scotland's colleges 2024</a>	19 September 2024
<a href="#">Integration Joint Boards: Finance and performance 2024</a>	25 July 2024
<a href="#">The National Fraud Initiative in Scotland 2024</a>	15 August 2024
<a href="#">Transformation in councils</a>	1 October 2024
<a href="#">Alcohol and drug services</a>	31 October 2024
<a href="#">Fiscal sustainability and reform in Scotland</a>	21 November 2024
<a href="#">Public service reform in Scotland: how do we turn rhetoric into reality?</a>	26 November 2024
<a href="#">NHS in Scotland 2024: Finance and performance</a>	3 December 2024
<a href="#">Auditing climate change</a>	7 January 2025
<a href="#">Local government in Scotland: Financial bulletin 2023/24</a>	28 January 2025
<a href="#">Transparency, transformation and the sustainability of council services</a>	28 January 2025
<a href="#">Sustainable transport</a>	30 January 2025
<a href="#">A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study</a>	20 February 2025
<a href="#">Additional support for learning</a>	27 February 2025
<a href="#">Integration Joint Boards: Finance bulletin 2023/24</a>	6 March 2025
<a href="#">Integration Joint Boards finances continue to be precarious</a>	6 March 2025
<a href="#">General practice: Progress since the 2018 General Medical Services contract</a>	27 March 2025
<a href="#">Council Tax rises in Scotland</a>	28 March 2025

# Tayside Pension Fund

Proposed 2024/25 Annual Audit Report



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