

Teesside Pension
Fund
Audit results report

Year ended 31 March 2017

EY

Building a better
working world

Private and Confidential

September 2017



Dear Panel Members

We have substantially completed our audit of Teesside Pension Fund (the Fund) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3, before the statutory deadline of 30 September 2017.

This report is intended solely for the use of the Teesside Pension Fund and Investment Panel, other members of the Fund, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.








We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Careen Gray
Executive Director

For and on behalf of Ernst & Young LLP
United Kingdom

Contents

| | | |
|----|-----------------------------------|---|
| 01 | Executive Summary |  |
| 02 | Areas of Audit Focus |  |
| 03 | Audit Report |  |
| 04 | Audit Differences |  |
| 05 | Other Reporting Issues |  |
| 06 | Assessment of Control Environment |  |
| 07 | Appendices |  |

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Teesside Pension Fund and Investment Panel, other members of the Fund and management of Teesside Pension Fund in accordance with the Statement of responsibilities. Our work has been undertaken so that we might state to the Teesside Pension Fund and Investment Panel, other members of the Fund and management of Teesside Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Teesside Pension Fund and Investment Panel, other members of the Fund and management of Teesside Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01 Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the Teesside Pension Fund and Investment Panel ("Panel") at the June meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £31.3m based on the prior year financial statements. We reassessed this using the actual year-end figures when these became available, which has increased this amount to £38.5m. The threshold for reporting audit differences has remained at £1.5m as agreed with the Panel on 28 June 2017. The basis of our assessment of materiality has remained consistent with prior years at 1 % of net assets of the Fund.

Status of the audit

We have substantially completed our audit of the Fund's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund's financial statements in the form which appears in Section 3. However until work is complete, further amendments may arise:

- Finalisation of manager and audit engagement partner review;
- Receipt of Bank of Scotland bank confirmation;
- Receipt and review of the final version of the Annual Report and accounts;
- Audit completion procedures;
- Completion of our post net asset review procedures;
- Receipt of the signed management representation letter.



Executive Summary

Executive summary (continued)

Audit differences

We have requested the following amendments to the draft financial statements submitted for audit to meet the requirements set out in the CIPFA Code of Local Authority Accounting:

- Omission of three new disclosures required by the CIPFA Code of Local Authority Accounting;
- Reclassification of some assets in the fair value hierarchy disclosure (note 20);
- Amendment of the membership numbers disclosed in the financial statements to ensure they agree to the membership numbers submitted to the actuary; and
- Updates to the related party transactions (note 17) disclosure.

Further detail is provided at section 4 of this report.

There were no other adjusted or unadjusted differences identified as part of our audit work.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Panel.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Report for consistency with the audited financial statements and our knowledge of the Fund. We have no matters to report as a result of this work.

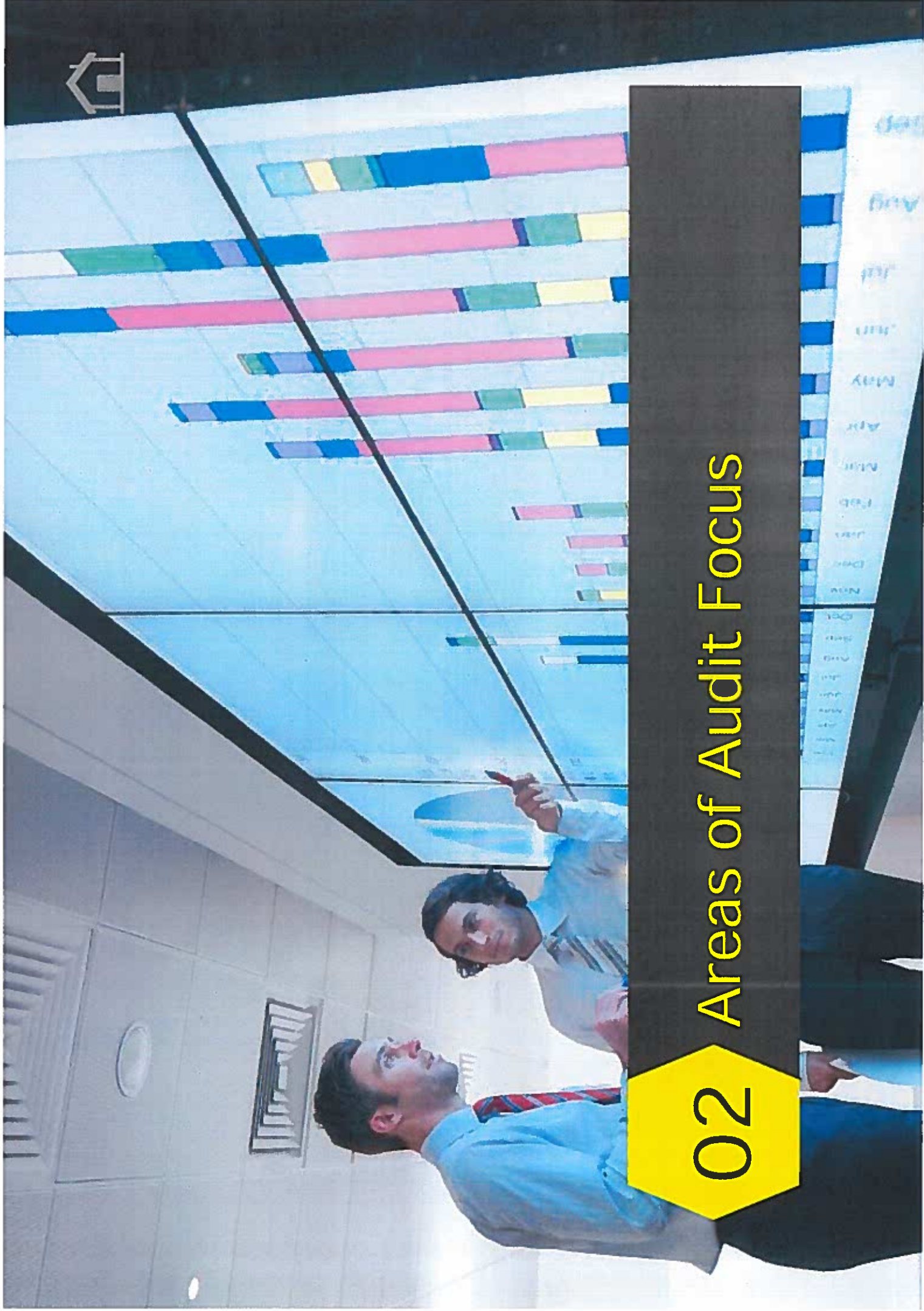
We have no other matters to report.

Control observations

We have identified one deficiency in the design or operation of an internal control. This relates to the design of the Contribution monitoring control sheet used by Kler. In addition, in our 2015/16 Audit Results Report we did highlight a number of high level observations relating to the governance of the Fund. In section 6 we discuss the control deficiency identified and the progress made by the Fund against these governance observations, together with some wider considerations.

Independence

Please refer to Appendix B for our update on Independence. We confirm that there are no matters to report.



02 Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach

Valuation of complex pooled investment vehicles

What are our conclusions?

Our testing has not identified any material misstatements in relation to the valuation of certain unquoted investments (infrastructure and global property)

What is the risk?

The Fund's investments include complex pooled investment vehicles, which include pooled property funds and infrastructure funds.

Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of investments means that any error in judgement could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

We have identified the valuation of the Pension Fund's investment in complex pooled investment vehicles as a significant risk, as even a small movement in these assumptions could have a material impact on the financial statements.

What did we do?

- We documented and walked through the process and assessed the effectiveness of the design and implementation of the controls over the valuation process
- We obtained third party confirmations of the complex pooled investment vehicles at the Pension Fund's year end from the investment manager
- We have reviewed the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk. We did not identify any exceptions that may impact on the valuation of investments
- We reviewed the bases of valuation of the complex pooled investment vehicles and were satisfied that they were in line with the accounting policies
- Where possible we compared the movement in value of the investments in year to relevant benchmarks and trends to help provide further assurance that the valuation was reasonable.



Areas of Audit Focus

Valuation of directly held properties

What are our conclusions?

Our testing has not identified any material misstatements in relation to the valuation of directly held properties.

What is the risk?

The Fund has a significant portfolio of directly held property investments amounting to circa £205 million. The valuation of land and buildings is subject to a number of assumptions and judgements. We have identified the valuation of these investments as a significant risk as a small movement in these assumptions could have a material impact on the financial statements.

What did we do?

- We documented and walked through the process and assessed the effectiveness of the design and implementation of the controls over the valuation process
- We obtained an independent copy of the valuation report from Cushman and Wakefield (the valuer) and reconciled the valuation to the financial statements
- We assessed the qualifications and experience of the valuer to gain assurance we can rely upon as an expert
- We compared the movement in valuation over the financial year to available property market trend indices available to gain assurance that the valuation is reasonable in line with expectations.



Areas of Audit Focus

Audit issues and approach:

Management override

What is the risk?

Risk of management override
As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed the accounting estimates for evidence of management bias
- We did not identify any significant unusual transactions.



03

Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLESBROUGH COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Middlesbrough Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Director and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 84, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Statement of Accounts for the year ended 31 March 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Annual Statement of Accounts for the year ended 31 March 2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Matters on which we report by exception
We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Careen Gray (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Glasgow
28 September 2017

The maintenance and integrity of the Middlesbrough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

Audit Differences



Audit Differences

Audit differences

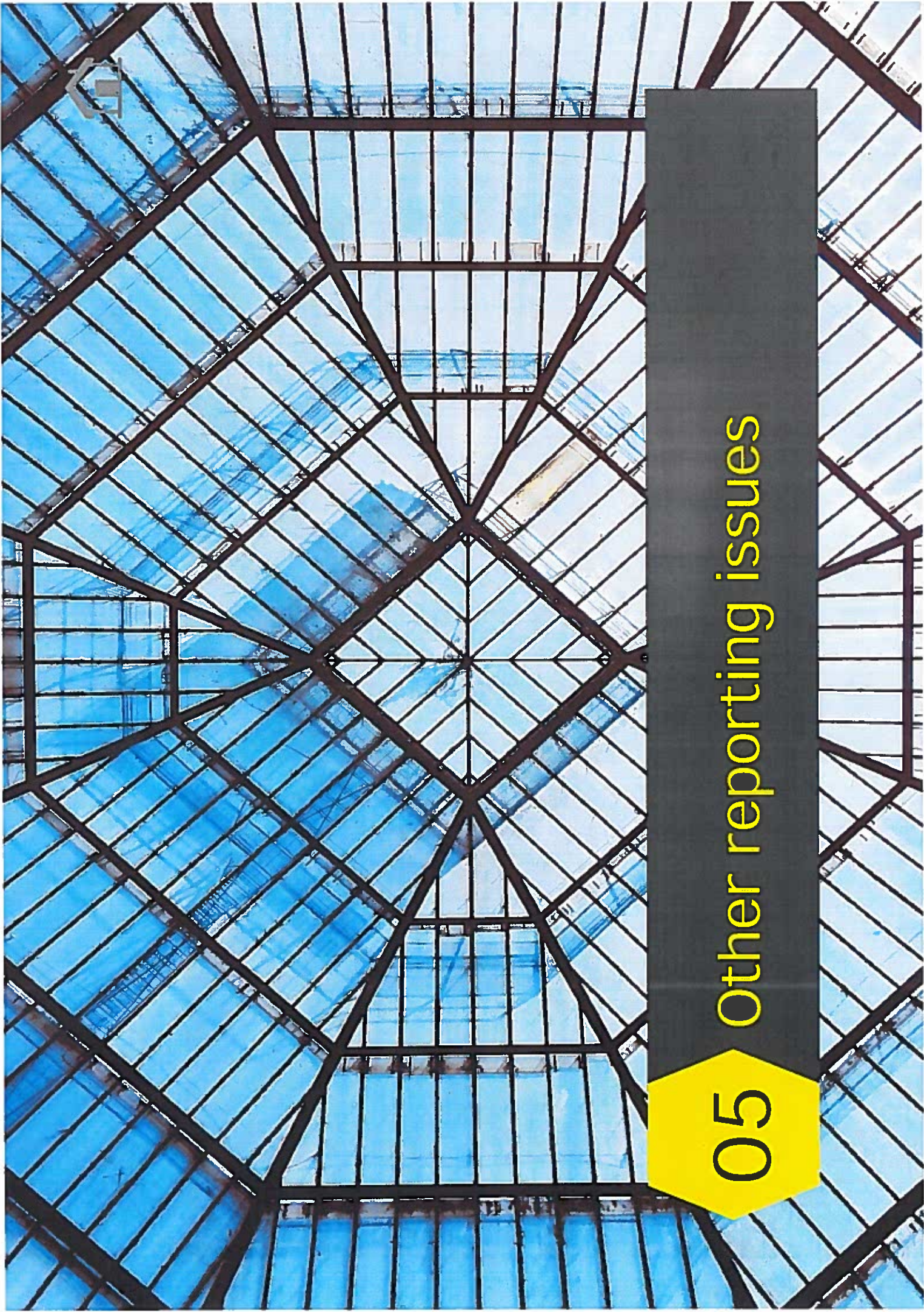
In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements in the financial statements or disclosure matters identified during the audit. Management has agreed to correct these disclosures.

- Omitted disclosures – During 2016/17 a number of new disclosures were introduced by the CIPFA Code of Local Authority Accounting for inclusion in LGPS financial statements. However, some of these were not included in Teesside Pension Funds draft financial statements. These were the Senior Employee's Remuneration note, the Audit Fee note and a disclosure reconciling the fair value measurement within level 3 of the fair value hierarchy;
- Reclassification of some assets in the fair value hierarchy disclosure – This is due to the CIPFA Code of Local Authority Accounting being updated in 2016/17 to reflect the Pensions Research Accountants Group (PRAG) practical guidance for investment disclosures, which aligns the fair value hierarchy disclosures to the requirements of IFRS. The main change relating to pooled property funds (value £53.2m) being reclassified as level 2 assets;
- Membership numbers – During the audit it was identified that the membership numbers disclosed in the financial statements did not agree to those which were submitted to the actuary. This is because the numbers disclosed in the financial statements include individuals who are of unknown status. This means that the members are not currently contributing and the Fund does not have documentation to explain what their current status is. Therefore the decision has been taken to amend the disclosure to reflect the membership numbers submitted to the actuary.
- Related Party Transactions (note 17) – The draft disclosure did not include details of Teesside Pension Fund and Investment Panel members who are also pensioners of the Fund.
- Other typographical and minor changes to the financial statements.

There are no uncorrected misstatements, subject to the satisfactory completion of our outstanding procedures.



05

Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Report

We must give an opinion on the consistency of the financial and non-financial information in the Annual Report and Statement of Accounts for the year ended 31 March 2017 with the audited financial statements.

Financial information in the Annual Report and Accounts for the year ended 31 March 2017 and published with the financial statements was consistent with the audited financial statements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Fund to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Fund, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



06

Assessment of Control Environment



Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

As part of our testing we identified the following matter:

- Contribution monitoring spreadsheet - The Fund is required to monitor when contributions are received by scheduled and admitted bodies. These receipts should be received no later than the 22nd day of the month after the scheduled or admitted body has deducted the contributions from the member. If receipt is received after this date then the Fund is required to consider reporting this to the Pensions Regulator. At Teesside Pension Fund, Kier maintains a spreadsheet that highlights when late contributions have been received. However, we identified that a number of the late receipts highlighted in the spreadsheet were not in fact late. Instead, incorrect dates had been added to the spreadsheet. Therefore in order to ensure that the Fund meets the requirements of the Pension Regulator in relation to timely contribution receipts we recommend that the spreadsheet is reviewed regularly by a senior officer to help identify late contributions accurately.

We have not identified any further deficiencies in internal controls.

Governance observations

In 2015/16 we were asked to comment on the governance arrangements at the Fund in comparison to other large pension funds. We reported our high level observations as part of our 2015/16 Audit Results Report, which included a number of recommendations for the Fund to consider.

During the year the Fund has used these recommendations to develop an action plan to address the governance observations made. As a result of the Action Plan the Fund decided to appoint Aon Hewitt to perform a detailed governance review of the Fund. This review has identified a series of actions for the Fund to consider and plans have been put in place to deal with the governance issues highlighted as part of the review.

Overall, we are pleased that the Fund has acted on our recommendations and we will continue to monitor progress.



Assessment of Control Environment

Assessment of Control Environment (continued)

Wider risks for the Fund to consider

We have highlighted below some developing risks that we are starting to see Pension Funds across the Country consider. We have highlighted these wider risk matters for the Panel below:

- Cyber security risk continues to be a major area of concern for the pensions industry given the increase in volume and severity of attacks. It is also a hot topic for The Pensions Regulator and it expects Trustees to be considering the risks and including them on the scheme's risk register. We recommend that management includes this on the Fund's risk register and considers aspects such as:
 - The suitability of the governance structure to deal with cyber security
 - What incident plans are in place should a material cyber security breach occur and have you practiced your incident response plan and developed a crisis management plan for cyber breaches?
- The EU's GDPR, which aims to create a single system to protect data rights of EU citizens, is due to come into effect from 25 May 2018, when the UK will still be a member of the EU. The Regulation introduces more stringent and prescriptive data protection compliance requirements, backed up by fines. Sharing of members' data is a key part of administering the Fund and it is vital the Pensions Committee understand how the new Regulations will affect the use of data from 25 May 2018. Key considerations include:
 - Do you have a data protection programme and are you able to provide evidence of how you comply with the requirements of the EU GDPR?
 - Would you be able to notify a data protection supervisory authority of a data breach within 72 hours?
 - Do you know how you will comply with the new rights: the 'right to be forgotten' and the 'right to data portability' and the 'right to object to profiling'?
 - Will existing contracts between the Council and third parties handling data need to be reviewed?
 - How will you get consent from members about how data is used?



07 Appendices



Appendix A

Required communications with the Teesside Pension Fund and Investment Panel

There are certain communications that we must provide to the Panel. We have done this by:

| Required communications | What is reported? | When and where |
|-------------------------------------|--|---|
| Terms of engagement | Confirmation by the Panel of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach | Communication of the planned scope and timing of the audit, including any limitations. | June 2017 Audit Plan |
| Significant findings from the audit | <ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process | September 2017 Audit Results Report |
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | No conditions or events were identified, either individually or together to raise any doubt about the Fund's ability to continue for the 12 months from the date of our report. |



Appendix A

| Our Reporting to you | |
|--|--|
| Required communications | When and where |
| <p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing | <p>September 2017 Audit Results Report</p> |
| <p>Fraud</p> <ul style="list-style-type: none"> ▶ Asking the Panel whether they have knowledge of any actual, suspected or alleged fraud affecting the Fund ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to the Panel responsibility. | <p>We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.</p> |
| <p>Related parties</p> <ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the Fund's related parties including, where applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity | <p>We have no matters to report</p> |
| <p>Subsequent events</p> <ul style="list-style-type: none"> ▶ Where appropriate, asking the Panel whether any subsequent events have occurred that might affect the financial statements. | <p>We have asked management and those charged with governance. We have no matters to report</p> |
| <p>Other information</p> <ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. | <p>We have no matters to report</p> |
| <p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. | <p>We have received all requested confirmations</p> |



Appendix A

| | | Our Reporting to you |
|---|--|--|
| Required communications | What is reported? | When and where |
| Consideration of laws and/or regulations | <ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Panel about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Panel. ▶ Significant deficiencies in internal controls identified during the audit. | We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations. September 2017 Audit Results Report |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. | September 2017 Audit Results Report |
| Independence | <p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p> | June and September 2017 Audit Plan Audit Results Report |
| Fee Reporting | <p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p> | June and September 2017 Audit Plan Audit Results Report |



Appendix B

Independence



We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated June 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Pensions Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Teesside Pension Fund and Investment Panel on 27 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken any non-audit work outside the PSAA Code requirements.

| | Outturn Fee 2016/17 | Planned fee 2016/17 | Outturn fee 2015/16 |
|--------------------------------|------------------------|------------------------|------------------------|
| | £ | £ | £ |
| Opinion Audit | 28,535 | 28,535 | 28,535 |
| Total Audit Fee - Code work | 28,535 | 28,535 | 28,535 |

[CLG comment - Should date be 28th or 27th as inconsistencies in report?](#)



Appendix C

Management representation letter

Management representation letter

[To be prepared on the entity's letterhead]

27 September 2017

Ernst & Young
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

This letter of representations is provided in connection with your audit of the financial statements of Teesside Pension Fund ("the Fund") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:



Appendix C

Management representation letter (continued)

Management representation letter

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



Appendix C

Management representation letter (continued)

Management representation letter

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Fund.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
2. We have not made any report to the Pensions Regulator, nor are we aware of any such report having been made by any of our advisers.
3. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.



Appendix C

Management representation letter (continued)

Management representation letter

3. We have made available to you all minutes of the meetings of the Teesside Pension Fund and Investment Panel and Teesside Pension Board (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 24 July 2017.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
- E. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
 3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent that we have given to third parties.



Appendix C

Management representation letter (continued)

Management representation letter

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Pension Fund Annual Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

I. Actuarial valuation

1. The latest report of the actuary AON Hewitt as at 31 March 2016 and dated 31 March 2017 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the property valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



Appendix C

Management representation letter (continued)

Management representation letter

K. Estimates

Property valuation Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA Code of Local Authority Accounting.
2. We confirm that the significant assumptions used in making the property valuation estimates appropriately reflect the expectations of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA Code of Local Authority Accounting.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Yours faithfully,

(Chief Financial Officer)

(Chair of Teesside Pension Fund and Investment Panel)

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com