

Ernst & Young  
2 St Peters Square  
Manchester  
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27 April 2023

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 2021. 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 period from 01 April 2020 to 31 March 2021 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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:

**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 2020/21.
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 the financial performance of the Fund in accordance with the local authority code, and are free of material misstatements, including omissions. We have approved the financial statements.<sup>1</sup>

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<sup>1</sup> ISA 580.10, ISA 210,6(b)(i)

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 2020/21 that are free from material misstatement, whether due to fraud or error.<sup>2</sup> We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls
6. We believe that the effects of any unadjusted audit differences, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.<sup>3</sup> We have not corrected these differences identified and brought to our attention by the auditor because they are not material.

## **B. Non-compliance with laws and regulations including fraud**

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.<sup>4</sup>
3. 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.<sup>5</sup>
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties

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<sup>2</sup> ISA 580.22, ISA 210.6(b)(ii)

<sup>3</sup> ISA 450.14

<sup>4</sup> ISA (UK) 240.39(a)

<sup>5</sup> ISA (UK) 240.39(b)

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.<sup>6</sup>

### **C. 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.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.<sup>7</sup>
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.<sup>89</sup>
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (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 17 April 2023.
5. 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.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. 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.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the

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<sup>6</sup> ISA (UK) 240.39(c),(d), and ISA (UK) 250A.16

<sup>7</sup> ISA 580.11(a), ISA 210.6(b)(iii)

<sup>8</sup> ISA 580.11(b)

10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

#### **D. 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.<sup>10</sup>

We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

#### **E. Going Concern**

1. Note 1 to the financial statements discloses all the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### **F. Subsequent Events**

1. Other than the 31 March 2022 triennial valuation described in Note 21 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.<sup>11</sup>

#### **G. Other information**

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

#### **H. Independence**

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

#### **I. Derivative Financial Instruments**

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

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<sup>10</sup> ISA 501.12

<sup>11</sup> ISA 560.9

## **J. Pooling investments, including the use of collective investment vehicles and shared services**

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

## **K. Actuarial valuation**

1. The latest report of the actuary Aon as at 31 March 2019 and dated 31 March 2020 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.

## **L. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we have engaged to value the actuarial valuation and the directly held property assets 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.

## **M. Estimates**

### **Pooled Investment Vehicles, Property Valuations, and the Actuarial Valuation**

1. We confirm that the significant judgments made in making the above estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates. .
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the financial statement preparation on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements , including due to the COVID-19 pandemic.

## **N. Climate-Related Matters**

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of

climate-related matters has been considered, as well as the impact resulting from the commitments made by the Fund, in the financial statements.

- The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

*Yours faithfully,*

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Andrew Humble, Interim S151 Officer

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Cllr Hubbard, Chair of Corporate Affairs and Audit Committee

## Appendix 1: Uncorrected Misstatements

### Communication schedule for uncorrected misstatements

| Communication schedule for uncorrected misstatements        |                                   |  |  |                         |                         |                         |                   |                                  |   |             |                             |   |     |  |
|---|-----------------------------------|--|--|-------------------------|-------------------------|-------------------------|-------------------|----------------------------------|---|-------------|-----------------------------|---|-----|--|
| Entity:   |                                   | Teesside Pension Fund  |  |                         | Period Ended:           |                         |                   | 31-Mar-2021                      |   | Currency:   |                             |   | GBP |  |
| Uncorrected misstatements                                   |                                   |  | Analysis of misstatements Debit/(Credit) |                         |                         |                         |                   |                                  |   |             |                             | Income statement effect of the prior period |     |  |
| No.   | W/P ref.                          | Account (Note 1)   | Assets Current                           | Assets Non-current      | Liabilities Current     | Liabilities Non-current | Equity components | Effect on the current period OCI | Income statement effect of the current period |             | Prior period Debit/(Credit) | Non taxable                                 |     |  |
|   |                                   | (misstatements are recorded as journal entries with a description )  | Debit/(Credit) (Note 2)                  | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit)    | Debit/(Credit)                   | Debit/(Credit)                                | Non taxable |                             |   |     |  |
|   | 21 TPF Pooled Investment Vehicles | When agreeing pooled investment vehicles to investment manager confirmations we identified a total net understatement of £26.4m. |  | 26,400,000              |                         |                         |                   |                                  | (26,400,000)                                  |             |                             |   |     |  |
|   |                                   |  |  |                         |                         |                         |                   |                                  |   |             |                             |   |     |  |
|   |                                   |  |  |                         |                         |                         |                   |                                  |   |             |                             |   |     |  |
|   |                                   |  |  |                         |                         |                         |                   |                                  |   |             |                             |   |     |  |
| <b>Total of uncorrected misstatements before income tax</b> |                                   |  | 0  | 26,400,000              | 0                       | 0                       | 0                 | (26,400,000)                     | 0   |             | 0                           |   |     |  |
| <b>Total of uncorrected misstatements</b>                   |                                   |  | 0  | 26,400,000              | 0                       | 0                       | 0                 | (26,400,000)                     | 0   |             | 0                           |   |     |  |