



Audit Completion Report

Teesside Pension Fund – year ended 31 March 2024

February 2025

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01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 July 2025. The government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is both pervasive and material to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Pension Fund's financial statements. We have included our proposed audit report in Appendix B.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Pension Fund and to consider any objection made to the accounts. No such correspondence has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Fund's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £54.735m using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the Fund Account of £18.251m at the planning stage of the audit using a benchmark of benefits payable.

We received a revised set of draft accounts on 10 January 2025, updated to reflect amendments from the audited accounts presented to audit committee in December 2024. Our provisional materiality was updated to £55.290m with no change made to provisional specific materiality for the Fund Account.

Based on the financial statement figures and other qualitative factors, performance materiality was set at £27.645m; the trivial threshold was set at £1.659m and the final specific performance materiality for the Fund Accounts was £9.126m.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 24 July 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the identified risks. These risks are summarised below.

Significant risks

We identified the following significant risks:

- management override of controls; and
- valuation of unquoted (Level 3) investments.

Enhanced risks / areas of significant management judgement

We did not identify any enhanced risks or areas of significant management judgement.

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Fund's financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are both pervasive and material, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Appendix B sets out our draft audit report which explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2024/25 financial statements by 28 February 2025.

Members will note that the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2023/24 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No statutory objections have been made.

Significant matters discussed with management

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact

upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Fund's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of the Pension Fund's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Pension Fund's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit Committee.

The significant deficiencies in the Pension Fund's internal controls that we have identified as at the date of this report are set out on the following pages.

Other observations on internal control

We also report to you, our observations on the Pension Fund's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Our observations on internal control

Significant deficiencies in internal control

Deficiencies identified in 2022/23

In the 2022/23 audit completion report presented to the December 2024 audit committee, the predecessor auditor identified internal control recommendations in the following areas:

- Recording of assets valuations
- Reconciliation to custodian reports
- Review of submissions to the Actuary
- Production of financial statements
- Support for sensitivity disclosures
- Retention of Fund Membership Data

We have discussed these matters with management, who have had limited time to make changes since the report was presented at the last audit committee. We understand that work is currently ongoing to respond to identified internal control recommendations and these will be implemented for the 2024/25 accounts.

Deficiencies identified in 2023/24

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Description of deficiency

For the financial year 2023/24, we reviewed the meeting minutes and attendance records of committee members as listed on the Middlesbrough Council website. We identified three instances where the client could not provide declarations of interest for individuals who attended the meetings as non-councillor members. According to the Middlesbrough Council constitution, “voting rights are held by all members, including scheme member representatives, as long as they are not employees of Middlesbrough Council.” This means a member could potentially vote on a motion without declaring their interest.

We note from discussion with the Pension Fund that members are asked to declare their interests at the beginning of all Pension Fund committee meetings and are appraised at induction training for potential conflicts of interest.

Potential effects

Committee members may vote on agenda items in which they have an undeclared personal interest, leading to potential conflicts of interest.

Recommendation

The Monitoring Officer should ensure that the register of interests is regularly checked throughout the year.

Management response

The Monitoring Officer will conduct a regular review of members of the Pension Fund Committee and ensure that all members attending meetings have provided an up-to-date declaration of interest form.

Summary of amendments to the financial statements

The Interim Director of Finance (s151 Officer) authorised the Council's draft financial statements for issue on 24 September 2024.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management has processed the amendments set out in the table below:

Details of amendment	Fund Account		Net Assets Statement	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Change in Market Value of Investments	39,164			
Cr: Pooled investments – Private Equity				20,621
Cr: Pooled Investments – Private Infrastructure				18,288
Cr: Pooled investments – Climate Opportunities				255
Being an amendment to reflect the valuation of private market investments with fund manager, Border to Coast Pensions Partnership (BCPP) at 31 March 2024.				
Aggregate effect of amendments	39,164	0	0	39,164

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

1. Amendments to 2022/23 figures disclosed in the revised draft accounts following completion of the 2022/23 audit

The misstatements included within this section reflect differences between the prior year comparator figures in the revised draft accounts (received January 2025) following the completion of the 2022/23 audit in December 2024.

- **Fund Account:** relates to profits and losses on disposal of investments and changes in market values of investments and net assets of the scheme at 31 March 2023.
- **Note 4 - Critical Judgement, Sensitivities and Accounting Estimates:** relates to the value of unquoted investments at 31 March 2024.
- **Note 7 - Benefits Payable:** relates to a misclassification of benefits paid by the administering authority, scheduled bodies and admission bodies.
- **Note 11 - Management Expenses:** relates to a restatement of oversight and governance costs.
- **Note 13 - Investment Assets – transactions costs disclosure:** restatement of disclosure for transaction costs incurred on purchases and sales transactions in 2022/23.
- **Note 13 - Investment Assets – investments more than 5% of asset class or security disclosure:** relates to changes in values to various investments within the note, reflecting amendments from audit work performed by the predecessor auditor.
- **Note 13 – Investment Assets - geographical analysis of investments disclosure:** relates to a change in presentation of the note to represent UK and overseas geographical areas.
- **Note 13 – Investment Assets – pooled investment vehicles and properties:** relates to changes to the underlying values of investment asset classes disclosed in the main section of the investment assets note.
- **Note 14 - Financial Instruments - net gains and losses on financial instruments:** relates to net gains/losses on financial instruments during 2022/23.
- **Note 14 - Financial Instruments - fair value of financial instruments:** relates to changes in market values of pooled investments, loans, directly held private equity, and sundry creditors.
- **Note 14 - Financial Instruments - valuation of financial instruments carried at fair value at 31 March 2023:** relates to changes in the market values for investments disclosed in the main investment assets disclosure note and to reflect any changes to the classification of investment assets.
- **Note 14 - Financial Instruments - reconciliation of fair value measurements within level 3 during 2022-23:** relates to changes to purchases and unrealised gains/losses across private equity, directly held private equity, infrastructure and other debt investments.
- **Note 14 - Financial Instruments - price risk:** relates to the simplification of the price risk associated with managed and unitised funds, and to separately disclose the values and price risk associated with directly held private equity investments.
- **Note 14 - Financial Instruments - currency risk:** relates to the removal of references to currency risk associated with investments denominated in Japan/Asia Pacific and to reflect changes in the values of investments denominated in Euros and US dollars.
- **Note 18 - Additional Voluntary Contributions:** relates to changes in the values of balances invested in profits & deposit accounts and unit linked accounts.
- **Note 21 - Senior Employee's Remuneration:** relates to the value of short-term benefits and post-employment benefits.

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

2. Amendments to 2023/24 figures disclosed in the revised draft accounts following completion of the 2022/23 audit

The amendments included within this section reflect any changes made by management to the current year figures in the revised draft accounts (received January 2025) following the completion of the 2022/23 audit in December 2024 i.e., to update the 23/24 figure to reflect any amendments to figures amended for 2022/23.

- **Introduction:** relates to amendments to the membership of the Fund disclosure to match figures disclosed in previous years of accounts.
- **Fund Account:** reflects amendment to profits and losses on disposal of investments and changes in the market value of investments, the net assets of the scheme, and the value of investment assets.
- **Note 1 - Basis of Preparation:** minor disclosure amendment to reflect a change in the value of net assets of the fund at 31 March 2024 (arising following identified misstatements in 2022/23 audited accounts).
- **Note 4 - Critical Judgements, Sensitivities and Accounting Estimates:** minor disclosure amendment to reflect a change in the value of liquid assets available to pay benefits (arising due to impairment of investment asset in 2022/23).
- **Note 5 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty:** amended to reflect changes to the value of level 3 investments at 31 March 2024 (amended following completion of audit procedures and identified misstatements in the 22/23 audited accounts).
- **Note 7 - Benefits Payable:** relates to a misclassification of benefits paid by the administering authority, scheduled bodies and admission bodies (updated to be comparable to prior year disclosures).
- **Note 13 - Investment Assets - reconciliation of movement in investments:** updated to reflect amendments to the changes in market values for pooled investment vehicles, pooled property investments and directly held private equity (to reflect misstatements identified in investment assets balances identified in 22/23 and the corresponding change in market value).
- **Note 13 - Investment Assets - geographical analysis of investments:** updated to reflect a change in presentation of the note to represent UK and overseas geographical areas.
- **Note 13 - Investment Assets - quoted equities:** updated to correct disclosure of overseas quoted equities held at 31 March 2024.
- **Note 13 - Investment Assets - pooled investment vehicles and properties:** relates to changes to the underlying values of investment asset classes disclosed in the main section of the investment assets note.
- **Note 14 - Financial Instruments - net gains and losses on financial instruments:** updated to reflect amendments to the changes in market values for pooled investment vehicles, pooled property investments and directly held private equity (to reflect misstatements identified in investment assets balances identified in 22/23 and the corresponding change in market value).
- **Note 14 - Financial Instruments - fair value of financial instruments:** updated to separately disclose directly held private equity and loans balances, and to reflect amendments made to the values of investment assets following identification of misstatements by the predecessor auditor.
- **Note 14 - Financial Instruments - valuation of financial instruments carried at fair value at 31 March 2024:** updated to reflect the reclassification of investment assets between level 1 and 3 of the fair value hierarchy.
- **Note 14 - Financial Instruments - reconciliation of fair value measurements within level 3 during 2023-24:** updated to separately disclose directly held private equity, and to update purchases, sales and unrealised gains/losses made on various classes of investment.
- **Note 14 - Financial Instruments - price risk:** updated to simplify disclosure of price risk associated with managed and unitised funds, and to separately disclose the values and price risk associated with directly held private equity investments.
- **Note 14 - Financial Instruments - currency risk:** relates to the removal of references to currency risk associated with investments denominated in Japan/Asia Pacific and to reflect changes in the values of investments denominated in Euros and US dollars.

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

3. Amendments to 2023/24 figures disclosed in the revised draft accounts arising from current year audit procedures

The amendments included within this section reflect any changes made by management to the current year figures in the revised draft accounts (received January 2025) following the completion of audit procedures in the current year.

- **Introduction - Membership:** relates to amendments to the membership of the Fund disclosure to match figures disclosed in previous years of accounts.
- **Fund Account:** amended to correct one casting error, and to reflect correct heads disclosed in the CIPFA Code of Practice.
- **Note 1 - Basis of Preparation:** amendment made to disclosures relating to the going concern assumption and to reflect 'operational existence for the foreseeable future'.
- **Note 2 - Accounting Standards issued but not yet adopted:** disclosure narrative added to note to make clear expected impact on accounts.
- **Note 3 - Significant Accounting Policies:** various disclosure amendments added/removed to reflect significant financial statements areas within the accounts and management's accounting treatment.
- **Note 5 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty:** disclosure updated to clarify the estimation uncertainty associated with pooled investment vehicles and freehold/leasehold properties
- **Note 5 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty:** disclosure updated to reflect changes to the value of private market investments with Border to Coast Pensions Partnership (BCPP) at 31 March 2024 (associated with the adjusted misstatement disclosed earlier in this report).
- **Note 7 - Benefits Payable:** disclosure amended to reflect 2022/23 benefits paid figures for the split between administering authority, scheduled bodies and admission bodies to agree to underlying working papers.
- **Note 13 - Investment Assets - reconciliation of movement in investments:** updated to reflect the impairment to the GB Bank investment in 2022/23.
- **Note 13 – Investments Assets – PIVs and properties disclosure:** updated to amend disclosures for the market values of private equity, infrastructure and other alternatives investments with Border to Coast Pensions Partnership at 31 March 2024 (associated with the adjusted misstatement disclosed earlier in this report).
- **Note 13 - Investment assets – disclosures:** multiple disclosures removed as not required by the CIPFA Code of Practice.
- **Note 14 - Financial Instruments – net gains/losses on financial instruments:** updated to reflect the restated change in market value of investments in the Fund Account.
- **Note 14 - Financial Instruments – net gains/losses on financial instruments:** updated to reflect the amendment to the change in market value of investments with Border to Coast Pensions Partnership (BCPP) at 31 March 2024 (associated with the adjusted misstatement disclosed earlier in this report).
- **Note 14 - Financial Instruments - fair value of financial instruments:** updated to correct internal inconsistencies with Note 13, and to remove references to assets/liabilities not held at fair value.
- **Note 14 - Financial Instruments - fair value of financial instruments:** updated to amend the value of pooled investments held with Border to Coast Pensions Partnership (BCPP) at 31 March 2024 (associated with the adjusted misstatement disclosed earlier in this report).
- **Note 14 - Financial Instruments - valuation of financial instruments:** updated to amend the financial assets at fair value through profit and loss disclosure for investments held with Border to Coast Pensions Partnership (BCPP) at 31 March 2024 (associated with the adjusted misstatement disclosed earlier in this report).
- **Note 14 - Financial Instruments - valuation of financial instruments carried at fair value at 31 March 2024:** updated to amend the value of level 3 investments held with Border to Coast Pensions Partnership (BCPP) at 31 March 2024 (associated with the adjusted misstatement disclosed earlier in this report).

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

3. Amendments to 2023/24 figures disclosed in the revised draft accounts arising from current year audit procedures

Continued from previous slide

- **Note 14 - Financial Instruments - reconciliation of fair value measurements within level 3 during 2023-24:** updated to correct a miscalculation of total value of decrease in investments at 31 March 2023.
- **Note 14 - Financial Instruments - reconciliation of fair value measurements within level 3 during 2023-24:** updated to amend the value of level 3 private equity, infrastructure and other alternatives investments held with Border to Coast Pensions Partnership (BCPP) at 31 March 2024 (associated with the adjusted misstatements disclosed earlier in this report).
- **Note 14 - Financial Instruments - reconciliation of fair value measurements within level 3 during 2023-24:** updated to correct a miscalculation of total value of decrease in investments at 31 March 2023.
- **Note 14 - Financial Instruments – interest rate risk:** revised to reflect change to the base rate used for the period to 31 March 2024.
- **Note 14 - Financial Instruments – price risk sensitivity analysis:** updated to correct the values for other alternatives held with Border to Coast Pensions Partnership (BCPP) at 31 March 2024 (associated with the adjusted misstatements disclosed earlier in this report).
- **Note 15 - Actuarial Valuation:** updated to separate the funding arrangement and actuarial present value of promised retirement benefits and to add additional disclosures for the assumptions at the triennial date.
- **Note 15 - Actuarial Valuation:** update to include a disclosure for the Virgin Media case.
- **Note 18 - Additional Voluntary Contributions:** relates to changes in the values of balances invested in profits & deposit accounts and unit linked accounts at 31 March 2023 (updated to agree to provider statements from Prudential)
- **Note 19 – Related Party Transactions:** disclosure note updated to include additional details for members, and any related party transactions involving Middlesbrough Council as the administering authority.
- **Note 20 – External Audit Costs:** disclosure amended to include audit costs associated with IAS19 assurance in previous years.
- Minor trivial disclosure amendments, including spelling, punctuation and grammar.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

Appendix A: Draft management representation letter

Mark Kirkham
Partner
Forvis Mazars
5th Floor
3 Wellington Place
Leeds
LS1 4AP

[Date]

Dear Mark,

Teesside Pension Fund - Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Teesside Pension Fund (the Fund) for the year ended 31 March 2024. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Fund's financial position, financial performance and cash flows.

Appendix A: Draft management representation letter

Accounting estimates, including those measured at current or fair value

I confirm that the methods, significant assumptions and the data used by the Fund in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Fund involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

Appendix A: Draft management representation letter

I have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and investment assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Fund's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Fund has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Fund's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Specific Representation of Level 3 investments

Level 3 investments are included in the Net Assets Statement at the value provided by our fund managers which have been estimated in accordance with the guidelines used by the industry and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, that the valuations are materially correct, and am not aware of any subsequent events that would have a material impact on the estimated value of the level 3 investments.

Yours faithfully,

Andrew Humble
Director of Finance

[Date]

Appendix B: Draft audit report

Independent auditor's report to the Members of Middlesbrough Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements of Teesside Pension Fund

We were appointed to audit the financial statements of Teesside Pension Fund ('the Pension Fund') for the year ended 31 March 2024, which 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the Pension Fund's financial statements, and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence for the valuation of level 3 investments, which forms part of Investment Assets in the Net Assets Statement, and the associated change in market value of investments in the Fund Account. We are therefore unable to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures

Responsibilities of the Director Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2023/24, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Appendix B: Draft audit report

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the Members of Middlesbrough Council, as a body and as administering authority for the Teesside Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's 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 Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Mark Kirkham
Partner
For and on behalf of Forvis Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

[Date]

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

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