



Audit Completion Report

Teesside Pension Fund – year ended 31 March 2025

10 February 2026

Members of the Audit Committee

Middlesbrough Council

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February 2026

Forvis Mazars

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Dear Committee Members,


Audit Completion Report – Year ended 31 March 2025

We are pleased to present our Audit Completion Report for Teesside Pension Fund (“the Fund”) for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report is intended solely for Audit Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the courtesy and co-operation extended to us by Teesside Pension Fund throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully


Mark Kirkham (Feb 10, 2026 11:03:00 GMT)

Mark Kirkham

Forvis Mazars LLP

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Teesside Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate group charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Executive Summary

Executive summary

Scope

We have been engaged to audit the financial statements of Teesside Pension Fund for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice.

Audit status

Our audit procedures are now substantially complete for the year ended 31 March 2025.

Please refer to the ‘*Status of our audit*’ section for a list of significant audit matters outstanding at the date of this report. We will provide an update to Audit Committee on completion of those outstanding matters by way of a follow-up letter.

Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to Audit Committee in our Audit Strategy Memorandum.

Significant Control deficiencies

We did not identify any significant deficiencies in internal control in 2024/25. We have followed upon significant deficiencies identified in previous years in Section 5 of this report.

We did not identify any non-significant control observations in 2024/25. We have followed up on non-significant deficiencies identified in previous years within ‘*Appendix A: Internal control conclusions*’.

Audit misstatements

A summary of the adjusted and unadjusted misstatements above our reporting threshold we have identified to date is set out in the ‘*Summary of misstatements*’ section.

We have identified no adjusted or unadjusted misstatements above our reporting threshold to date.

Audit opinion

At the time of issuing this report and subject to the satisfactory conclusion of our remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix C.

Consistency Report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund’s Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Middlesbrough Council. Our draft consistency report is provided in Appendix D.

Wider reporting 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 Fund and to consider any objection made to the accounts. We confirm that no such correspondence from electors has been received.

Executive summary

Qualitative aspects of Fund’s accounting practices

We have reviewed the Fund’s accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund’s circumstances.

Draft accounts were authorised by the Director of Finance on 30 June 2025 and were of a generally good quality. There have however been several amendments made to ensure compliance with the CIPFA Code of Practice and associated Disclosure Notes, particularly within the disclosures for the Fund’s financial instruments.

We have been provided with good quality working papers by management during the engagement.

Significant matters discussed with management

During our audit, we did not have any significant matters to discuss with management.

Significant difficulties during the audit

We have not encountered any significant difficulties, and we have had the full co-operation of management.

Other matters of significance












We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and the Audit Committee during our audit. All requested information and explanations were provided to us.

Other matters we are required by ISA (UK) 260 *Communication with Those Charged with Governance* to communicate to you have been set out in Appendix F.

Status of our audit

Status of our audit

Our audit work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

		Status
Cash Deposits This requires the receipt of all confirmations from external counterparties and agreement of balances per the draft accounts to the figures per the confirmations.		 Likely to result in a material adjustment or a significant change to disclosures in the financial statements.
Level 3 Investment Assets This includes assessing the value of differences in the market value of investments between the Pension Fund's draft accounts and confirmations from fund managers and reporting of any differences in unit holdings per the Fund's custodian and Fund managers.		 Potential to result in a material adjustment or a significant change to disclosures in the financial statements.
Directly Held Properties This includes review of underlying information (rentals, yields) to assess the valuation of the properties and review of title deeds/tenancy agreements.		 Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.
Financial Instruments This includes checking the classification of all investment assets to fund manager reports and ensuring consistency of presentation with the CIPFA Code of Practice.		
IAS19 assurance This includes review the submission to the actuary for completeness and accuracy and presentation of IAS19 assurance letters to auditors of employer bodies.		
Quality & Technical Review of Accounts This includes clearance of all matters relating to quality compliance with the CIPFA Code of Practice and Guidance Notes.		
Audit Review and Completion Procedures These are our standard closure procedures including: reviewing the final version of the Statement of Accounts, consideration of post-balance sheet events and completing our final quality review procedures.		
Annual Report This includes completing consistency checks between the Statement of Accounts and the Annual Report, in addition to competing quality review procedures.		

Audit approach and risk summary

Audit approach and risk summary

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 24 July 2025.

Materiality

Our provisional performance materiality at the planning stage of our audit was set at £27.9m using a benchmark of 1% of net assets available to pay benefits as per the Audit Strategy Memorandum. We set a provisional specific materiality for the Fund Account of £10.0m at the planning stage of the audit using a benchmark of 10% of benefits payable.

Based on the final financial statement figures and other qualitative factors, performance materiality was set at £27.9m; the trivial threshold was set at £1.7m and the final specific materiality for the Fund Account was £10.0m.

Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of accounts. There have been no changes to ours or management’s use of experts since the Audit Strategy Memorandum was issued.

Item of Account	Management’s Expert	Our Expert
Valuation of investment within level 3 of the fair value hierarchy and related disclosures	External investment managers	None.
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO’s consulting actuary (PwC)
Financial instrument disclosures	Hymans Robertson	None.

Service organisations

The table below summarises the service organisations used by the Pension Fund and our planned audit approach. There have been no change to the service organisations used or our planned audit approach since the Audit Strategy Memorandum.

Item of Account	Service Organisation(s)	Audit Approach
Investment valuations and related disclosures	Investment managers	Substantive testing of in-year transactions and valuations applied to investments at the year-end.
Investment income and related disclosures	Custodian (Northern Trust)	

Audit approach and risk summary

In	Audit risk/ key area of judgement	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of s	Misstatement identified	Control recommendations	Conclusion
Significant risks	Management Override of Controls	●	○	○	●		○	○	<p>Within our Audit Strategy Memorandum, we confirmed we planned to address this risk by carrying out audit work on a combination of accounting estimates, journal entry testing and reviewing the journals listing for any significant transactions outside the normal course of business or otherwise unusual.</p> <p>Risk satisfactorily addressed in our review of accounting estimates, journal entry testing and the review of the journals listing for significant transactions outside the normal course of business.</p>
	Valuation of Investments within Level 3 of the Fair Value hierarchy	○	●	●	●	○	●	●	<p>In our Audit Strategy Memorandum, we confirmed we planned to address this risk by carrying out audit work on a combination of</p> <ul style="list-style-type: none"> • agree holdings from fund manager reports to the global custodian's report; • agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuations to audited accounts or other independent supporting documentation, where available; • where audited accounts are available, check that they are supported by an unmodified opinion; • review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and • where available, review independent assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements. <p>As noted in Section 2 of this report, our work on the valuation of Level 3 investments is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.</p> <p>We note there were internal control deficiencies reported in previous years. We have reported on progress made to address these issues within Section 5 and Appendix A of this report.</p>

Significant findings

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Management override of controls	Description of the risk	Valuation of Level 3 Investments	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding s that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.		The valuation of investments within level 3 of the fair value hierarchy is based on unobservable inputs. The use of unobservable inputs increases the risk of material misstatement.
	How we addressed this risk We addressed this risk by carrying out audit work on: <ul style="list-style-type: none">• accounting estimates impacting amounts included in the financial statements;• consideration of identified significant transactions outside the normal course of business; and• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.		How we addressed this risk In addition to our standard program for investments, we performed the following additional procedures: <ul style="list-style-type: none">• compared holdings from fund manager reports to the global custodian’s report;• agreed the valuation to supporting documentation including the investment manager valuation statements and cash flows for any cash adjustments made to the investment manager valuation;• agreed the investment manager valuation to audited accounts or other independent supporting documentation, where available;• where audited accounts were available, checked that they are supported by an unmodified opinion;• reviewed the valuation methodologies for reasonableness through review of valuation policies within audited financial statements and challenge of the fund manager, where necessary.
	Audit conclusion Based on the work performed, we are satisfied that this risk has been satisfactorily addresses and there are no issues to report.		Audit conclusion As noted in Section 2 of this report, our work is ongoing in respect of journal entry testing. We will report any conclusions to Audit Committee once this work in complete.

Significant findings

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 2024/25 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 such objections have been raised.

Significant control deficiencies

Significant control deficiencies

As part of our audit, we obtained an understanding of the Fund's internal environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and 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 Fund's internal controls, we are required to communicate to Audit Committee any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

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 control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Fund's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

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 is of sufficient importance to merit the attention of Audit Committee.

We did not identify any significant deficiencies in the Fund's internal controls during the current year of audit. Significant deficiencies raised in prior years are in set out on the following pages, with comments provided on progress made to address these.

Other observations

We also record our observations on the 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 did not identify any "other" deficiencies. However, there were deficiencies raised in previous years of audit and these are set out in '*Appendix A: Internal control conclusions*'.

Significant control deficiencies

Follow up on significant deficiencies in internal controls identified on prior year audits

Set out below is an update on the action taken by the Fund to address significant deficiencies in internal control identified on prior audits, that were not resolved on commencement of our audit.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

Recording of Asset Valuations

Description of deficiency

Our testing of investment valuations identified significant levels of error in the recorded value of individual investments, including investments recorded in the wrong currency and transactions close to year-end being omitted from the financial statement valuations. Gross misstatements identified totalled £107m, which is more than 2% of the Fund's net assets, although we note the net impact of misstatements was smaller but not insignificant. This level of misstatement leads us to conclude that s over the recording of investment valuations are not operating effectively.

Recommendation

We recommend management should review the controls in place to ensure accurate recording of investment valuations, including ensuring there is a robust review process, to ensure that investments are not recorded at the incorrect value.

Management response

The Head of Pensions and Governance will implement a process to undertake a quarterly review of the basis of recording investment valuations by a supervising officer. This will be implemented in producing the 2024/25 accounts and will also review the draft 2023/24 accounts that remain subject to audit.

Update in Current Year

As noted in **Section 2** of this report, our work on the valuation of Level 3 investments is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.

Significant control deficiencies

Follow up on significant deficiencies in internal controls identified on prior year audits

Set out below is an update on the action taken by the Fund to address significant deficiencies in internal control identified on prior audits, that were not resolved on commencement of our audit.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

Production of the Financial Statements

Description of deficiency

Our audit identified a number of material disclosure errors including disclosures being prepared on the incorrect basis and not in accordance with the requirements of the Pension Fund’s reporting framework. We also note that knowledge supporting the production of the financial statements is concentrated with a small number of people (2 officers), which significantly increases the risk of loss of corporate knowledge should there be a turnover in staff.

Recommendation

We recommend management should review the controls in place to ensure the financial statements are prepared in accordance with the requirements of the reporting framework, including ensuring there is a robust review process. We also recommend that knowledge of how to prepare material disclosures is formally documented to reduce the risk of loss of corporate knowledge.

Management response

The Director of Finance is due to implement a revised operating model within the accountancy disciplines within the Finance Directorate in the 2025/26 financial year subject to approval of the associated investment in the budget by Council in February 2025. There will be a new role of Chief Accountant who will be required to oversee the production of both the Council and Pension Fund Accounts to ensure compliance with relevant legislation, reporting standards and the code of practice and to build resilience within the Pensions and Accountancy Teams.

Update in Current Year

We note that the new role of Chief Accountant has yet to be filled, and management will look to address this in 2025-26.

We note that the financial statements could have been improved to ensure compliance with the CIPFA Code of Practice. Our technical review of the accounts identified several disclosures, particularly in relation to investment assets and financial instruments that required amendment to disclose the required level of detail. We note that management have been receptive to making amendments to the accounts to ensure better compliance with the CIPFA Code when these have been raised.

Summary of misstatements

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued in July 2025. Any subsequent changes to those figures are set out in the 'Audit approach and risk summary' section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

We identified no misstatements above our reporting threshold, or that we deem to be material by nature, as at the date of this report which were not adjusted.

Description	Fund Account		Net Asset Statement	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Transfers In from other Pension Funds	1,729			
Cr: Current Assets (cash)				(1,729)
Being a discrepancy between figures per Altair and Business World for Transfers In.				
Aggregate effect of adjusted misstatements	1,729	0	0	(1,729)

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

We have noted in Section 2 of this report that we have not fully completed procedures for the valuation of cash deposits, Level 3 investments assets and directly held properties. Given the values involved, there is a risk that any misstatements may be above our trivial threshold and would therefore need to be reported as either adjusted or unadjusted, depending on the values involved and management's preference regarding how to treat the issues. If any instances of this arise, we will ensure this is communicated to Audit Committee via a follow-up letter.

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe Audit Committee should be made aware of.

We issued a disclaimer of opinion on the accounts in 2023/24 as we had not been able to complete all procedures on Level 3 investment assets by the statutory deadline date of 28 February 2025. We have now completed our procedures to assess the differences in market value of investments held at fair value level 3. The misstatement below shows the amendment made by management to address this issue.

Description	Fund Account		Net Asset Statement	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Change in Market Value of Investments	14,717			
Cr: Pooled Investment Vehicles				(11,281)
Cr: Directly Held Private Equity				(3,436)
Being a material amendment				
Aggregate effect of adjusted misstatements	14,717	0	0	(14,717)

There were no adjusted misstatements relating to 2024/25 to report.

We have noted in Section 2 of this report that we have not fully completed procedures for the valuation of cash deposits, Level 3 investments assets and directly held properties. Given the values involved, there is a risk that any misstatements may be above our trivial threshold and would therefore need to be reported as either adjusted or unadjusted, depending on the values involved and management's preference regarding how to treat the issues. If any instances of this arise, we will ensure this is communicated to Audit Committee via a follow-up letter.

Summary of misstatements

Disclosure misstatements

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

- Introduction (Operations) - Amended to remove investment assets balance and improve understandability of disclosure
- Introduction (Financial Statements) – Net withdrawal of funds disclosure updated to ensure internal consistency of balances disclosed and agreement to prior year audited figures.
- Introduction (Membership) – Update made to the accounts to clarify the process for being included as an LGPS member (to match LGPS Regulations)
- Fund Account - amended to add 'Restated' and clarify that balances for the year ended 31 March 2024 have been restated.
- Fund Account - Sub-total narratives including "from/to" members removed from Total Income and Total Expenditure lines within the Fund Account.
- Fund Account - note references for current assets and current liabilities updated.
- Fund Account - separation of the Net Assets Statement and the Fund Account into two separate statements (compliance with CIPFA Code of Practice)
- Net Assets Statement - year end balance narrative updated to state 'Net assets of the scheme available to fund benefits at the reporting period end'
- Net Assets Statement - date headers have been amended to 31 March 2024 and 31 March 2025.
- Note 2 Accounting Standards issued but not yet adopted - reference removed to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets. Clarification made re remaining accounting standards to clarify these do not have a material effect.
- Note 3 Accounting Policies - amendment made to investment management expenses disclosure to ensure completeness and provide sufficient detail re accounting treatment of such expenses.
- Note 3 Accounting Policies - foreign currency transactions accounting policy updated to include how the difference between the rate at the date of transactions and settlement is accounted for
- Note 3 Accounting Policies - disclosure amended to clarify how financial assets at amortised cost are disclosed in the Net Assets Statement.
- Note 3 Accounting Policies - amendment made to include a paragraph relating to the prior period adjustment to make clear why changes were made following completion of the work of outstanding procedures to supporting Level 3 investment assets testing.
- Note 5 Assumptions made about the future and other major sources of estimation uncertainty - updated figures to match the valuation of financial instruments disclosure in note 14 (and value of the effect of estimation uncertainty).
- Note 6 Contributions receivable - reference to "additional contributions" has been removed; included as 'normal contributions'.
- Note 6 Contributions receivable - minor amendment made to deficit contribution figure to ensure agreement to underlying working papers (£3k only).
- Note 12 Investment income - narrative removed for "Investment income has been recognised as due on the ex-dividend date and is credited to the fund on the date of dividend"
- Note 13 Investment Assets - disclosure added to the bottom of the main table within this note to clarify the prior period restatement made
- Note 13 Investment Assets - change in market value of investments disclosure - updated to reflect the restated figures for balances at 31 March 2024 and the follow-through to 31 March 2025.
- Note 13 Investment Assets - 'Investments analysed by fund manager - disclosure has been amended to disclose the assets managed by each fund manager and the proportion of the overall value of the fund that those investments consist.

Summary of misstatements

Disclosure misstatements (continued)

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

- Note 13 Investment Assets - removal of the Outstanding Commitments disclosure from Note 13
- Note 13 Investment Assets - pooled investment vehicles and properties disclosure amended to figures following the prior period adjustment for investment assets at 31 March 2024.
- Note 14 Financial Instruments - various disclosures within Note 14 Financial Instruments amended to ensure consistency with Note 13 following the prior period adjustment for investment assets at 31 March 2024.
- Note 14 Financial Instruments - various disclosures within Note 14 Financial Instruments amended to include the value of directly held properties (per Note 13).
- Note 14 Financial Instruments - amendment to figures for the sundry debtors and prepayments figures to exclude balances that are included in the current assets/liabilities note but are not financial assets/liabilities (as defined by IFRS 9).
- Note 14 Financial Instruments (Valuation of financial instruments) - amendment to disclosure to remove reference to "loans and receivables" (replaced with "assets at amortised cost")
- Note 14 Financial Instruments (Valuation of financial instruments) - pooled investments: other alternatives figure amended to match prior year financial statements.
- Note 14 Financial Instruments (Valuation of financial instruments) - amendment made to remove the financial assets/liabilities at amortised cost from the disclosure for Level 1 investments (as not held at fair value).
- Note 14 Financial Instruments (Reconciliation of Financial Instruments at fair Value) - disclosure updated to include descriptions of the types of investment held, the Valuation basis/technique, observable and unobservable inputs and key sensitivities affecting the valuation of the investments.
- Note 14 Financial Instruments (Market risk) - amended to remove reference to actuarial valuation as a means of managing market risk.
- Note 14 Financial Instruments (Other Price Risk) - Directly Held Property and Pooled Properties have been omitted from disclosure - to be added in for both years.
- Note 14 Financial Instruments (Credit Risk) - disclosure amended to include a breakdown of the investments in money market funds and banks, with credit ratings associated with the investments.
- Note 14 Financial Instruments (Liquidity Risk) – disclosure amended to include a split of the investment assets by the time period until they become realisable.
- Note 14 Financial Instruments (Currency risk) - amended to present the investments by assets class rather than currency type.
- Note 14 Financial Instruments (Collateral and Other enhancements) – removed as not material to the accounts.
- Note 15 Actuarial Present Value of Promised Retirement Benefits - disclosure amended by factor of 1,000 to match figures per Hymans Robertson
- Note 15 Actuarial Present Value of Promised Retirement Benefits - amended to reflect the current position of the Virgin Media case
- Note 19 Additional Voluntary Contributions - amended to include the value of contributions paid by members during the year (alongside prior year comparator).
- Note 20 Related Party Transactions - reference in note to be amended to "Note 22" to refer to Senior Employees' Remuneration
- Note 23 Events after the Balance Sheet Date - amendment to date to reflect 31 March 2025 rather than 30 June 2025 as the balance sheet date

There have also been various other amendment for spelling, punctuation and grammar which have not been reported separately.

07

Fraud considerations

Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Your responsibilities

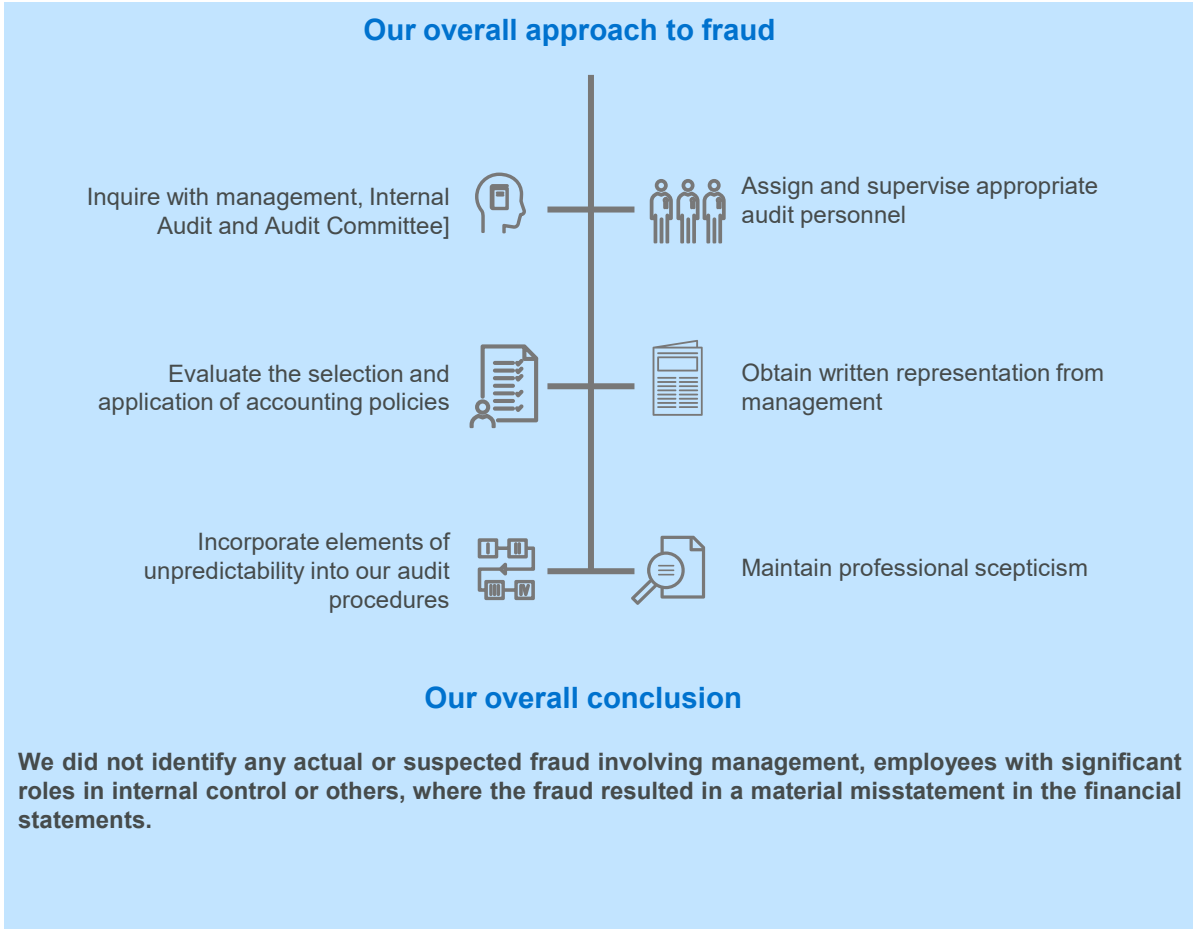
Management has primary responsibility for the prevention and detection of fraud. It is important that management, with Audit Committee oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by Audit Committee’s active oversight.

Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

ISA presumed fraud risks

As set out in the ‘*Audit approach and risk summary*’ section, the risks of management override of controls were identified as a significant risk, with the risk of fraud in revenue recognition rebutted in accordance with Practice Note 15.



Appendices

- A: Internal Control conclusions
- B: Draft management representation letter
- C: Draft audit report
- D: Draft consistency report
- E: Confirmation of our independence
- F: Other communications

Appendix A: Internal Control conclusions

Other deficiencies in internal controls

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 control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Fund's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported. 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 Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This Appendix sets out the internal control observations that have been identified in previous years. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Appendix A: Internal Control conclusions

Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

Reconciliation to Custodian Reports

Description of deficiency

Our testing of the Pension Fund’s reconciliation of its accounting records against the investment valuations provided by the custodian identified that the reconciliation is performed shortly after each month-end, when final valuations are often still to be reported to the custodian by investment managers. There is no subsequent revisiting of this reconciliation to identify where valuations have changed, which we consider was a factor in why the Pension Fund did not identify the misstatements of investment valuations.

Recommendation

We recommend management should review the timing of the reconciliation to custodian reporting to ensure the reconciliation takes place at a time when the custodian records are up-to-date. If this is not possible due to delays in custodian reporting, an additional check back against the accounting records should be introduced to support year-end reporting.

Management response

The Head of Pensions and Investments will introduce a year end closure task to reconcile custodian reports to investment manager valuations. This will be adopted in closing the 2024/25 accounts and a check of the draft 2023/24 accounts will be undertaken prior to the audit.

Update in Current Year

As noted in **Section 2** of this report, our work on the valuation of Level 3 investments is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.

Appendix A: Internal Control conclusions

Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

Support for Sensitivity Disclosures

Description of deficiency

Note 13 to the financial statements includes various disclosures of the sensitivity of the Pension Fund’s balances to movements in external factors, such as exchange rates or market movements. Our testing of these disclosures found that management were unable to support the sensitivities disclosed in the financial statements, partly because the reporting to the Pension Fund by the external party which provided them is limited and the external party is no longer trading.

Recommendation

We recommend management should review the s in place to obtain, and retain support for, the sensitivities disclosed within the financial statements to ensure that disclosures made in the financial statements can be supported.

Management response

The Head of Pensions and Investments will ensure that all documentation relevant to the preparation of the financial statements is retained for management and audit purposes.

Update in Current Year

We note that this related to the use of information provided by Portfolio Evaluation Limited. This has since changed to Hymans Robertson. We did not have any difficulties obtaining the required information from Hymans Robertson for the purposes of assessing financial instruments disclosures in the 2024-25 accounts.

Appendix A: Internal Control conclusions

Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

Review of Submission to the Fund Actuary

Description of deficiency

Where the Pension Fund’s actuary provides IAS 19 valuations to individual participating employers for inclusion in the employer’s financial statements, they rely on employer-specific information submitted by the Pension Fund. Our testing of this process identified that information submitted to the actuary is prepared and submitted by one individual, with no review performed by someone other than the preparer.

A lack of review process increases the risk of error in the information provided to the actuary, though we note we did not identify any such errors.

Recommendation

We recommend management should review the process supporting submission of IAS 19 information to the actuary to ensure there is an adequate review to provide assurance that the submission is accurate.

Management response

The Head of Finance and Investment and the Head of Pensions and Investments will liaise to establish an appropriate review process to support the IAS19 position which will improve the assurance and resilience arrangements in relation to this return.

Update in Current Year

As noted in **Section 2** of this report, our work on IAS19 assurance procedures is currently ongoing. We will provide an update to Audit Committee on progress with this once our procedures are complete.

Appendix A: Internal Control conclusions

Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

Retention of Fund Membership Information

Description of deficiency

The IT system used to administer the Pension Fund is not able to report the membership of the Fund at a past date. Whilst live membership reports are run at key dates, such as the date of triennial valuations, these are not retained and management are therefore unable to subsequently evidence the membership numbers reported at a point in time. The inability to subsequently evidence the membership of the Fund at key dates increases the risk that errors in membership numbers may go undetected, and we consider this a factor in the Pension Fund having to include what is effectively a balance line in their reconciliation of changes in membership between the start and end of the financial year.

Recommendation

We recommend management should put in place a process to retain supporting evidence for membership data obtained at key dates, such as the date of triennial valuations of the Pension Fund.

Management response

The Head of Pensions and Investments will put in place a process to ensure that all key data required to evidence key membership at key dates is retained for financial reporting and audit purposes for the 2024/25 accounts.

Update in Current Year

We were able to view a copy of the membership report being run by XPS Administration at 31 March 2025, which included figures for the total membership (split into active members, deferred members and pensioners) at that date. The figures per the data extract were broadly consistent with the figures per the draft accounts, with only very trivial differences noted. We would however recommend, as a point of best practice, that management retain copies of such membership data extracts for future reference, particularly to support the testing of any information in a triennial valuation year.

Appendix A: Internal Control conclusions

Follow Up on Previous Internal Control Points

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal controls set out in this section to strengthen internal controls or enhance business efficiency. Our recommendations should be actioned by management in the near future.

We note that these matters were originally reported by the predecessor auditor in the 2022/23 audit completion report that was presented to the December 2024 Audit Committee. We reported in our 2023/24 Audit Completion Report that management did not have sufficient time to respond to these deficiencies. We have therefore considered these in our work on the 2024/25 audit.

Declarations of Interests from Pension Fund Members

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 ‘committee 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.

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.

Update in Current Year

We note that non-councillor members are not required to complete declaration of interests in advance of attending meetings but, at the start of each committee meeting, all members are given the opportunity to declare any interests. Our review of meeting minutes found that this is a standing agenda item in each Committee, and no non-councillor members individuals had declared any interests at any committee meeting during the year.

Appendix B: **Draft** management representation letter

3rd Floor
5 Wellington Street
Leeds
LS1 4AP

[Date]

Dear Mark,

Teesside Pension Fund – Audit for Year Ended 31 March 2025

This representation letter is provided in connection with your audit of the financial statements of Teesside Pension Fund (the Pension Fund) for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

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 myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which 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 Pension 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.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

Appendix B: **Draft** management representation letter

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 Audit Committee and Pension Fund 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 Pension Fund's financial position, financial performance and cash flows.

Accounting estimates

I confirm that the methods, significant assumptions and the data used by the Pension 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 Pension 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 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 Pension 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.

Appendix B: **Draft** management representation letter

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 Pension 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 Pension 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 applicable law.

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

Charges on assets

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

Future commitments

The Pension 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.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by 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 Pension 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.

Annual Report

The disclosures within the Pension Fund Annual Report fairly reflect my understanding of the Pension Fund's financial and operating performance over the period covered by the financial statements.

Appendix B: **Draft** management representation letter

Specific Representation of Level 3 Investments

The market value of Level 3 investments are included in the Net Assets Statement 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 market values are materially correct, and am not aware of any subsequent events that would have a material impact on the estimated market value of the Level 3 investments.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully,

[Signature]

Andrew Humble, Director of Finance

[Date]

Appendix C: **Draft** audit report

Independent auditor’s report to the Members of Middlesbrough Council

Report on the audit of the financial statements

Opinion on the financial statements of Teesside Pension Fund

We have audited the financial statements of Teesside Pension Fund (‘the Pension Fund’) for the year ended 31 March 2025, 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 2024/25.

In our opinion the financial statements:
give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2025; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and other information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Appendix C: **Draft** audit report

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of 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 2024/25, 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 2024/25 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 objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

Based on our understanding of the Pension Fund, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: non-compliance with General Data Protection Regulations (GDPR) 2018.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- gaining an understanding of the legal and regulatory framework applicable to the Pension Fund, the environment in which it operates, and the structure of the Pension Fund, and considering the risk of acts by the Pension Fund which were contrary to the applicable laws and regulations, including fraud;

Appendix C: **Draft** audit report

- inquiring with management and the Audit Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- reviewing relevant meeting minutes in the year;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Pension Fund which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In addition, we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud, rests with both management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude whether the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, (Revised 2024) and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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 C: **Draft** audit report

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 (Local Auditor)

5th Floor
3 Wellington Place
Leeds
LS1 4AP

[Date]

Appendix D: **Draft** consistency report

Independent auditor’s statement to the members of Middlesbrough Council on the Pension Fund financial statements included within the Teesside Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2025 included within the Teesside Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including material accounting policy information.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Middlesbrough Council for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Respective responsibilities of the Director of Finance and the auditor

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 Pension Fund’s financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Middlesbrough Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Middlesbrough Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Middlesbrough Council describes the basis of our opinions on the financial statements.

Use of this auditor’s statement

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 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Middlesbrough Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Middlesbrough Council and Middlesbrough Council’s members as a body, for our audit work, for this statement, or for the opinions we have formed.

[Signature]

Mark Kirkham, Key Audit Partner
For and on behalf of Forvis Mazars LLP (Local Auditor)





5th Floor
3 Wellington Place
Leeds
LS1 4AP

Appendix E: Confirmation of our independence



We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. 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 confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.


Appendix F: Other communications

Other communication		Response
	Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
	External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
	Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
	Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance that the Fund will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix F: Other communications

Other communication		Response
	Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	Matters related to fraud	<p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled ‘Fraud considerations’ for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, Audit Committee, confirming that</p> <ol style="list-style-type: none"> they acknowledge their responsibility for the design, implementation and maintenance of internal to prevent and detect fraud; they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> management; employees who have significant roles in internal ; or others where the fraud could have a material effect on the financial statements; and they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix F: Other communications

Other communication		Response
	System of Quality Management	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none">• Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership• Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities• Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.)• Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal environment and overall quality• Evaluating responses and remediating gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website here.</p>

Contact

Forvis Mazars

Mark Kirkham

Partner

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