



# South Tyneside Council

## Local Pension Board

Date: 20<sup>th</sup> December 2023

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## Annual Report and Accounts 2022/23 (for information and discussion)

Report of the Head of Pensions

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### **Purpose of Report**

1. This report updates the Board on the position of the Annual Report and Accounts for the financial years 2021/22 and 2022/23.
2. The Board is asked to note the report.

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Contact Officer:

Paul McCann, Head of Pensions

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## Background

3. The deadlines for the production and authorisation of the Pension Fund accounts normally follow the timescales outlined in the Accounts and Audit Regulations 2015, as follows:
  - 31<sup>st</sup> May in the year following the end of the financial year, produce draft accounting statements for the Council and the Pension Fund.
  - No later than 31<sup>st</sup> July in the year following the end of the financial year, produce the audited Council's Report and Accounts, which contains the Fund's Financial Statements.
  - 1<sup>st</sup> December publish the Pension Fund Annual Report and Accounts.
4. Due to the impact from Covid-19 and ongoing national audit issues, the Department of Levelling-up, Housing and Communities extended the deadlines for the production of Accounts for 2021/22 to allow organisations more time to complete their financial statements and for auditors to complete their audit work. Despite the ongoing audit issues, the deadlines for 2022/23 accounts have reverted to the regulation dates outlined in paragraph 3.

## 2022/23 Report and Accounts

5. At the Committee meeting in June and Board meeting in July, a report was presented which set out the proposed approach to the audit of the 2022/23 Report and Accounts. Ernst and Young (EY), the Fund's external auditor, also presented their audit plan for the year end accounts.
6. The proposed approach was based on the expectation that EY's audit of the financial statements and the Report and Accounts would be completed in November, which would allow the Fund to produce the Annual Report and Accounts by the 1<sup>st</sup> of December deadline.
7. The Draft Annual Report and Accounts 2022/23 were reviewed by Pensions Committee at its 26<sup>th</sup> September meeting and Board at its 20<sup>th</sup> October meeting. Since then, a small number of minor technical amendments have been following discussion with the auditors.
8. A copy of the updated Report and Accounts is attached to this agenda pack as a standalone document. The Report and Accounts were approved by Pensions Committee at its meeting on 1<sup>st</sup> December. The draft Report and Accounts have now been published on the Fund's website to meet the 1<sup>st</sup> December deadline referred to above.
9. Audit work is now substantially complete, and EY has produced their provisional audit report. A copy of this report is attached as an

Appendix. A representative from EY will attend the meeting to brief the Board on the audit of the Report and Accounts and to answer any questions the Board may have.

10. Whilst the Fund has met the deadline for publishing its draft Report and Accounts, the Fund has been advised by EY that they are not yet in a position to sign off the Council's Financial Statements which includes the Fund's Financial Statements. This in turn means that the Fund's Report and Accounts will not be finalised until the Council's accounts are signed off. The Fund's Report and Accounts will then remain in draft format until EY are able to provide their audit opinion.
11. The delays in the signing off of the Report and Accounts are a continuation of the national issue that has been affecting local authority report and accounts in recent years. Whilst the 2020/21 Report and Accounts were eventually signed off with a limited opinion, this was not considered appropriate for 2021/22 and 2022/23. An update on the 2021/22 Report and Accounts is set out below.
12. It should be noted that the legal responsibility for reviewing and approving the Fund's Financial Statements sits with the Council's Audit Committee and the General Purposes Committee. This is because the Fund has no separate legal identify to the Council and the Financial Statements form part of the Council's wider Report and Accounts.

### **2021/22 Report and Accounts**

13. As stated above, the Fund's Report and Accounts for 2021/22 have still not been signed off. As previously reported, this is due to national issues impacting on all local authority financial statements including those of South Tyneside Council. This issue has nothing to do with the Pension Fund, but as noted above, because the Fund's Financial Statements are included in the Council's Report and Accounts, they and the Fund's Report and Accounts cannot be signed off until the Council position has been resolved.
14. It is understood that an approach has now been agreed between local authorities, audit firms and accountancy professional bodies, which will allow councils to get their 2021/22 Report and Accounts signed off.
15. Consequently, it is expected that the Council's Report and Accounts for 2021/22, including the Fund's Financial Statements will be signed off by the auditor in the near future. The Fund will then be able to get its own Financial Statements and Report and Accounts signed off and receive its own clean audit opinion from EY.

### **Recommendation**

16. The Board is asked to note the report.

## Annual Report and Accounts 2022/23

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**The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:**

<b>Background Paper</b>	<b>File Ref:</b>	<b>File Location</b>
Final Accounts File 2022/23	N/A	Investments Office, South Shields Town Hall

*Tyne and Wear Pension Fund  
Provisional Audit results report*

Year ended 31 March 2023

December 2023



Private and Confidential

1 December 2023

South Tyneside Council  
Town Hall and Civic Offices  
Westoe Road  
South Shields  
NE33 2RL

*Dear Audit Committee Members, Pension Committee Members, and Local Pension Board Members,*

*2023 Provisional Audit Results Report*

*We are pleased to attach our provisional audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee, Pensions Committee and Local Pensions Board. At the time of drafting this report for papers, the audit is ongoing so we will update the Pensions Committee on the 1<sup>st</sup> December 2023.*

*The audit is designed to express an opinion on the 2023 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Tyne and Wear Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.*

*This report is intended solely for the information and use of the Audit Committee, the Pensions Committee, the Local Pensions Board and other members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.*

*We welcome the opportunity to discuss the contents of this report with you at the Pensions Committee meeting on 1 December 2023.*

*Yours faithfully*



*Rob Jones, Partner*

*For and on behalf of Ernst & Young LLP*

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-up-to-2022-23/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance from July 2021" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee, Pensions Committee, Local Pensions Board and management of Tyne and Wear Pension Fund in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee, Pensions Committee, Local Pensions Board and management of Tyne and Wear Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, Pensions Committee, Local Pensions Board and management of Tyne and Wear Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary





# Executive Summary

## Scope update

*In our audit planning report tabled at the 8 June 2023 Pensions Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:*

- ▶ *Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a performance materiality of £6.3m. We updated our planning materiality assessment using the draft 22/23 accounts and have also reconsidered our risk assessment. Based on our materiality measure of net assets, we have updated our overall materiality assessment to £124.6m (Audit Planning Report – £127m). This results in updated performance materiality, at 50% of overall materiality, of £62.7m, and an updated threshold for reporting misstatements of £6.2m]*
- ▶ *Changes in Key Audit Partners: As notified in meetings during the 22/23 audit, Rob Jones has succeeded Hassan Rohimun as the Audit Partner.*
- ▶ *New/changes to risk factors that caused a corresponding change in our audit strategy: No such changes.*

*A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.*

# Executive Summary (cont'd)

## Status of the audit

*Our audit work in respect of the Pension Fund opinion is substantially complete, however remains subject to ongoing manager and partner review and conclusion of the outstanding matters below and noted through this report. The following items relating to the completion of our audit procedures were outstanding at the date of this report.*

- ▶ *Conclusion of ISA315 Controls Testing*
- ▶ *Finalisation of Directly Held Property Testing*
- ▶ *Review of updated Annual Report and Accounts*
- ▶ *IAS 19 Reporting*
- ▶ *Quality review procedures - Manager and Partner Review of the testing performed*
- ▶ *Going Concern - we will review the going concern assessment up to the date of signing the audit opinion to ensure it remains current.*
- ▶ *Audit completion procedures - including receipt of signed management representation letter and confirmations around subsequent event*

*Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.*

*Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Financial Statements which could influence our final audit opinion.*

*Upon closure of the outstanding points, we will provide an update with any additional reporting that would have been included in this report, had it been available at the time of this report.*

## Audit differences

- ▶ *Uncorrected misstatements decrease net asset position by £6m of which (£37m) relates to current-year differences*
- ▶ *Management has corrected a reclassification misstatement amounting to £3.4m relating to the misclassification of Cash and Cash Equivalents as Investment Cash, rather than as a Current Asset.*
- ▶ *Due to the timing of when management prepare the draft accounts, quarter three investment valuations are used which are then rolled forward and adjusted to give a 31 March 2023 valuation. As part of our audit testing we seek third party confirmations from fund managers which are the 31 March 2023 actual valuations. Each year we would therefore expect some differences between the valuations included in the financial statements, and the total valuations confirmed to us by fund managers due to the timing difference. If this difference is immaterial, management may opt not to adjust the accounts. We identified that asset valuations per the fund manager confirmations were in aggregate £37,008,394 greater than the position presented in the accounts.*
- ▶ *Directly Held Property has been included in the Financial Instruments note again in 22/23*



## Executive Summary (cont'd)

### Areas of audit focus

*In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Tyne and Wear Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report.*

*We request that you review these and other matters set out in this report to ensure:*

- ▶ *There are no further considerations or matters that could impact these issues*
- ▶ *You concur with the resolution of the issue*
- ▶ *There are no further significant issues you are aware of to be considered before the financial report is finalised*

*There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee, Pensions Committee or Local Pensions Board.*

### Control observations

*During the audit, we did not identify any deficiencies in controls*

### Independence

*Please refer to Section 9 for our update on Independence.*



## 02 *Areas of Audit Focus*

# Areas of Audit Focus

## Misstatements due to fraud or error

### What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We respond to this fraud risk on every audit engagement. We did not identify any specific fraud risks in our planning.

### What are our conclusions

Subject to finalization of the outstanding work outlined in this report, we have not identified any material misstatements.

### Our response to the key areas of challenge and professional judgement

We responded to this risk through consistent application of professional judgement and conducting the following:

- We identified fraud risks during the planning stages of our audit;
- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We developed our understanding of the oversight given by those charged with governance over management's process over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We determined an appropriate strategy to address those identified risks of fraud; and
- We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates and identifying significant unusual transactions.

# Areas of Audit Focus

## Valuation of Unquoted Pooled Investment Vehicles

### What is the risk, and the key judgements and estimates?

The Fund's investments include unquoted pooled investment vehicles. Judgement is required from Investment Managers to value these investments as prices are not publicly available. The material nature of these investments means that any error in these judgements could result in a material valuation error for the Pension Fund.

We identified the valuation of the Fund's investments in unquoted pooled investment vehicles as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.

Our work in this area focused on ensuring that the assumptions used by investment managers in relation to the valuation of complex pooled investment vehicles were free from material misstatement.

### What are our conclusions

We have identified the following matters to report:

- Due to the unavailability of some third party confirmations when the accounts were prepared, included within the initial draft accounts presented to us for audit was the quarter three valuations rolled forward to produce a year end valuation. Upon receipt of the year end confirmations, we identified a total investments variance of £37m.
- The total net difference identified relating to Pooled Investment Vehicles is £14.25m.
- The gross difference identified on Pooled Investment Vehicles is £31.86m.

The total net difference is below our tolerable error level, therefore the accounts do not require adjustment. The gross difference is included for reporting purposes and does not affect the Fund accounts.

Subject to completion of the outstanding audit procedures outlined in this report, we have no further matters to report.

### Our response to the key areas of challenge and professional judgement

In response to the identified significant risk relating to the Valuation of Unquoted Pooled Investment Vehicles, the following approach was adopted:

- We documented and walked through the design and implementation of the controls over the valuation process;
- We obtained third party confirmations of the valuation of unquoted pooled investments at the reporting date from the investment managers. We also cross-checked the investment manager confirmations to the confirmation of assets held obtained from the Fund's custodian;
- We reviewed the relevant investment manager controls reports for qualifications or exceptions that may affect the audit risk;
- We compared the movement in valuation of investments in unquoted investment vehicles with the returns recognised as investment income per the investment manager confirmations, and investigated any unusual variances;
- We agreed a sample of purchases and sales of unquoted investment vehicles during the period to supporting evidence;
- Reviewed the basis of valuation to ensure this is in line with accounting policy; and
- Performed testing of the calculated valuation provided by the investment managers to verify the accuracy of confirmed values.

# Areas of Audit Focus

## Valuation of Private Equity Investments

### What is the risk, and the key judgements and estimates?

Judgement is required to value private equity investments as prices are not publicly available and market volatility means such judgements can quickly become outdated, especially where there is a significant time period between the latest audited information and the Fund's reporting date.

Our work in this area focused on ensuring that the assumptions used by investment managers in relation to the valuation private equity investments were free from material misstatement.

### What are our conclusions

We have identified the following matters to report:

- Due to the unavailability of some third party confirmations when the accounts were prepared, included within the initial draft accounts presented to us for audit was the quarter three valuations rolled forward to produce a year end valuation. Upon receipt of the year end confirmations, we identified a total investments variance of £37m.
- The total net difference identified relating to Private Equity is £22.76m.
- The gross difference identified on Pooled Investment Vehicles is £47.35m.

The total net difference is below our tolerable error level, therefore the accounts do not require adjustment. The gross difference is included for reporting purposes and does not affect the Fund accounts.

Subject to completion of the outstanding audit procedures outlined in this report, we have no further matters to report.

### Our response to the key areas of challenge and professional judgement

In response to the identified significant risk relating to the Valuation of Private Equity, the following approach was adopted:

- We obtained an understanding of the process and design of the controls over valuation process;
- We obtained third party confirmations of the valuation of private equity investments at the reporting date from investment managers;
- We reviewed the relevant investment manager controls reports for qualifications or exceptions that may affect the audit risk;
- We obtained the latest available audited accounts and agreed the net asset value per the accounts to the net asset value included in the investment manager confirmations;
- We reviewed the audit reports on the latest available audited accounts and evaluated the potential impact on the valuation of the Fund's investments of any exceptions noted;
- For investments held in a currency other than sterling, we compared the exchange rate used to convert the investment value into sterling to historical market information on exchange rates at the reporting date; and
- We tested a sample of investment purchases and sales during the year, agreeing these to supporting evidence.

# Areas of Audit Focus

## Valuation of Directly Held Property

### What is the risk, and the key judgements and estimates?

The Fund has a significant portfolio of directly held property investments. The valuation of these properties is subject to a number of assumptions and judgements, small changes in which could have a significant impact upon the financial statements.

Our work in this area focused on ensuring that the assumptions used by the property valuers in relation to the valuation of directly held property, were free from material misstatement.

### What are our conclusions

We have identified the following matters to report:

Our audit work in this area is still subject to Manager and Partner review, however we have identified the following:

- EY Estates have reviewed a sample of assets and found the valuation to be within an expected range.
- In our recalculation of Directly Held Property values we noted a difference below our reporting threshold.

Subject to completion of the outstanding audit procedures outlined in this report, we have no further matters to report.

### Our response to the key areas of challenge and professional judgement

In response to the identified significant risk relating to the Valuation of Unquoted Pooled Investment Vehicles, the following approach was adopted:

- We obtained an understanding of the process and design of the controls over valuation process;
- We obtained the Valuation Report from the Fund's valuer, Savills and reconciled the Valuations to those reflected within the Accounts;
- We assessed the qualifications and experience of the external valuer to ensure that they can be relied upon as management experts;
- We engaged EY property experts (EY Estates) to review and challenge the assumptions used by the external valuer for a sample of assets, to ensure that they are in line with our expectations; and
- We have performed testing of the other Directly Held Property assets that exceeded our testing threshold, performing a recalculation of the valuation and comparing the yields used by Savills to industry benchmarks.





## 03 *Audit Report*

# Audit Report

Draft audit report – subject to the completion of audit procedures

Our opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

### Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27.

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 2022/23.

Where the authority publishes separate accounts in respect of more than one LGPS fund, replicate this section for each fund and include a suitable reference in each to the fund to which the opinion relates.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2023
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

### 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 below.

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 the Comptroller and Auditor General's AGN01, 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 Head of Pension'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, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Pensions with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the [Statement of Accounts 2022/23] [set out on pages 1-63], other than the financial statements and our auditor's report thereon. The Head of Pensions is responsible for the other information contained within the Annual Report and Accounts 2022/23.

# Audit Report

Draft audit report – subject to the completion of audit procedures

## Our opinion on the financial statements

*Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.*

*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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.*

*We have nothing to report in this regard.*

### Matters on which we report by exception

*We report to you if:*

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

*We have nothing to report in these respects*

### Responsibility of the Chief Financial Officer

*As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Pension Fund's financial statements, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

*In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.*

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

*Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.*

# Audit Report

Draft audit report – subject to the completion of audit procedures

## Our opinion on the financial statements

*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

*Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Head of Pensions.*

*Our approach was as follows:*

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.*
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through [our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information].*
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.*

- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.*
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.*
- To address our fraud risk we [tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements].*
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team [including the use of specialists where appropriate], to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.*

# Audit Report

*Draft audit report – subject to the completion of audit procedures*

*Our opinion on the financial statements*

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

#### *Use of our report*

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

*Rob Jones (Key Audit Partner)  
Ernst & Young LLP  
Glasgow*



# 04 *Audit Differences*

# Audit Differences

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

## *Summary of adjusted differences*

*There have been no misstatements identified that exceed our tolerable error threshold.*

We highlight the following corrected audit differences greater than £6.2m that were identified during the course of our audit

- *Properties Disposals in the Change in Market Value disclosure note were incorrectly included as a positive figure (£7.401m), when corrected to a negative figure - the impact is £14.802m.*
- *£3.4m reclassification from Investment Cash to Current Assets (below the above threshold but classification corrected)*

We highlight the following uncorrected audit differences greater than £6m that were identified during the course of our audit:

- *A net difference of £37,008,394 has been identified relating to timing issues with investment assets, caused by the Pension Fund having to use December 2022 confirmations and adjust for cash flows in quarter 4 for the Fund Managers who did not provide March 2023 confirmations by the time of preparing the accounts.*

# Audit Differences (cont'd)

## Summary of adjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Fund Account Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
<b>Uncorrected misstatements 31 March 2023 (Currency'000)</b>						
<b>Errors</b>						
<i>Known differences:</i>						
▶ Investment Confirmation Timing Difference		(37,008)		37,008		
<i>Judgemental differences:</i>						
▶ PY - Judgmental PIV Property Difference		6,920		(6,920)		
<b>Net asset statement totals</b>		<b>(30,088)</b>		<b>30,088</b>		
<i>Income effect of uncorrected misstatements (before tax)</i>		<i>(30,088)</i>				
<i>Less: tax effect at current year marginal rate</i>		<i>-</i>		<i>-</i>		
<i>Cumulative effect of uncorrected misstatements before turnaround effect</i>		<i>(30,088)</i>		<i>30,088</i>		
<i>Turnaround effect. See Note 1 below.</i>		<i>36,098</i>				
<i>Cumulative effect of uncorrected misstatements, after turnaround effect</i>		<i>6,009</i>				
<b>Uncorrected misstatements in the statement of cash flows</b>						
<b>N/A</b>						
<b>Uncorrected disclosure misstatements</b>						
<b>N/A</b>						

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31/03/2023

Note 1: Turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period. The turnaround included above, relates to the timing difference identified on Investment Asset valuations during the 21/22 audit.





05

## *Other Reporting Issues*

# Other Reporting Issues

## *Consistency of other information published with the financial statements*

*We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2021/22 with the audited pension fund financial statements. We have no inconsistencies to draw to your attention.*

*In addition, we also perform procedures to ensure the consistency of the pension fund accounts with the version presented in the Pension Fund's Annual Report. We have no issues to draw to your attention.*

## *Other powers and duties*

*We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We had no reason to exercise these duties.*

## *Other matters*

*As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process.*

*We have no matters to report.*

# Other Reporting Issues

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

### Audit Procedures

We performed the following procedures:

We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has four relevant IT applications for the purposes of ISA 315 risk assessment.

- We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
- When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
- We reviewed the following processes for all four relevant IT applications:
  - Manage vendor supplied changes
  - Manage security settings
  - Manage user access
  - Manage entity-programmed changes
  - Job scheduling and managing IT process

### Audit findings and conclusions

No significant issues were identified in our review of the various processes.

Our consideration of controls related to significant risks is still underway. We have not identified any issues at the time of writing this report.



**06** *Independence*

# Relationships, services and related threats and safeguards

## Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2023 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	£
Scale Fee – Code work	27,499	27,499
Scale Fee Variation – Rebasing of the fee to meet regulatory requirements	34,699	34,699
Additional fees - see Note 1	TBD	TBD
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

➤ Note 1 – In line with previous years, additional audit time has been required on the following areas:

- IAS 19 work on behalf of admitted bodies - Fee charged for the provision of IAS 19 assurances to the auditors of scheduled bodies that are subject to the NAO Code of Audit Practice. Management may opt to recharge such fees to the relevant member bodies.
- Revisions - Revised ISA 540 and 570 - Revised auditing standards in relation to going concern and estimates has increased the level of work we need to perform in these areas. Additional fees as previously communicated.
- Revisions following the merger with Northumberland Pension Fund in 20/21 – Increased Testing
- Valuation of Assets
- ISA315 – Risk Assessment Procedures

Upon conclusion of the above additional work in 21/22 and 22/23 audits, we will discuss with management the fee position and agree a final position in line with the established PSAA arrangements.

# Independence

*EY Transparency Report 2022*

*Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.*

*Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:*

[EY UK 2023 Transparency Report | EY UK](#)



# 7

# Appendices

# Appendix A – Audit approach update

## Audit approach update

*We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.*

*Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:*

- ▶ *Existence: An asset, liability and equity interest exists at a given date*
- ▶ *Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date*
- ▶ *Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items*
- ▶ *Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded*
- ▶ *Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework*



# Appendix A – Audit approach update (cont'd)

<i>Balance sheet category</i>	<i>Audit Approach in current year</i>	<i>Audit Approach in prior year</i>	<i>Explanation for change</i>
<i>Directly Held Property</i>	<i>Sample of properties tested by EY internal valuation specialists, EY Estates, with further testing performed by the audit team. Audit team testing was performed using benchmark yields and the recalculation of property valuations.</i>	<i>All material assets tested by EY Estates.</i>	<i>Efficiency improvement.</i>
<i>Pooled Investment Vehicles</i>	<i>Additional testing was performed to verify the inputs used by the respective Fund Managers eg agreeing share prices to independent sources.</i>	<i>Analytic performed to recalculate the expected investment valuation, with one element being the share price per the Fund Manager confirmation.</i>	<i>Approach adapted this year following an internal quality review on a different EY Pensions engagement.</i>

## Appendix B – Summary of communications

### Summary of communications

<i>Date</i>	<i>Nature</i>	<i>Summary</i>
<i>5 July 2023</i>	<i>Report</i>	<i>The audit planning report, including confirmation of independence, was issued to the Local Pension Board.</i>
<i>18 September 2023</i>	<i>Meeting</i>	<i>The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss progress of the audit and findings.</i>
<i>18 October 2023</i>	<i>Meeting</i>	<i>The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss progress of the audit and findings.</i>
<i>29 November 2023</i>	<i>Meeting</i>	<i>Audit close meeting with the management team to discuss the preliminary findings of the audit.</i>
<i>1 December 2023</i>	<i>Report</i>	<i>The Provisional Audit Results Report, including confirmation of independence, was issued to the audit committee.</i>
<i>TBC</i>	<i>Management letter</i>	<i>The management team and the audit committee were provided details of internal control observations made in respect of the current year.</i>

*In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.*

# Appendix C - Required communications with the Audit Committee

## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report – July 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report – July 2023
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Provisional Audit Results Report – December 2023

# Appendix C - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>• Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee</li> <li>• Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>• The valuation methods used and any changes to these including first year audits</li> <li>• The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>• The identification of any non-EY component teams used in the group audit</li> <li>• The completeness of documentation and explanations received</li> <li>• Any significant difficulties encountered in the course of the audit</li> <li>• Any significant matters discussed with management</li> <li>• Any other matters considered significant</li> </ul>	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	Provisional Audit Results Report – December 2023
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Provisional Audit Results Report – December 2023

# Appendix C - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Provisional Audit Results Report – December 2023
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Provisional Audit Results Report – December 2023

# Appendix C - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
<p><i>Independence</i></p>	<p><i>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</i></p> <p><i>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</i></p> <ul style="list-style-type: none"> <li><i>• The principal threats</i></li> <li><i>• Safeguards adopted and their effectiveness</i></li> <li><i>• An overall assessment of threats and safeguards</i></li> <li><i>• Information about the general policies and process within the firm to maintain objectivity and independence</i></li> </ul> <p><i>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</i></p> <p><i>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</i></p> <ul style="list-style-type: none"> <li><i>• Relationships between EY, the company and senior management, its affiliates and its connected parties</i></li> <li><i>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</i></li> <li><i>• Related safeguards</i></li> <li><i>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</i></li> <li><i>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</i></li> <li><i>• Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy</i></li> <li><i>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</i></li> <li><i>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</i></li> </ul>	<p><i>Audit Planning Report – July 2023</i></p> <p><i>Provisional Audit Results Report – December 2023</i></p>
<p><i>External confirmations</i></p>	<ul style="list-style-type: none"> <li><i>• Management's refusal for us to request confirmations</i></li> <li><i>• Inability to obtain relevant and reliable audit evidence from other procedures.</i></li> </ul>	<p><i>Provisional Audit Results Report – December 2023</i></p>

# Appendix C - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
<i>Consideration of laws and regulations</i>	<ul style="list-style-type: none"> <li>• <i>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</i></li> <li>• <i>Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</i></li> </ul>	<i>Provisional Audit Results Report – December 2023</i>
<i>Significant deficiencies in internal controls identified during the audit</i>	<ul style="list-style-type: none"> <li>• <i>Significant deficiencies in internal controls identified during the audit.</i></li> </ul>	<i>Provisional Audit Results Report – December 2023</i>
<i>Written representations we are requesting from management and/or those charged with governance</i>	<ul style="list-style-type: none"> <li>• <i>Written representations we are requesting from management and/or those charged with governance</i></li> </ul>	<i>Provisional Audit Results Report – December 2023</i>

# Appendix C - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
<i>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</i>	<ul style="list-style-type: none"> <li>• <i>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</i></li> </ul>	<i>Provisional Audit Results Report – December 2023</i>
<i>Auditors report</i>	<ul style="list-style-type: none"> <li>• <i>Key audit matters that we will include in our auditor’s report</i></li> <li>• <i>Any circumstances identified that affect the form and content of our auditor’s report</i></li> </ul>	<i>Provisional Audit Results Report – December 2023</i>



# Appendix D – Outstanding matters

## Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
ISA 315 Controls Considerations	Audit team to finalise scoping of controls and request evidence from management where necessary	EY and Management
Going Concern	EY central review process and finalisation of disclosures and opinion wording	EY
Management representation letter	EY to send letter of representation and to receive the signed management representation letter.	EY and Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and Management
Internal Review Procedures	Engagement Manager and Partner review still ongoing	EY
Directly Held Property Testing	Final queries on the audit team Directly Held Property testing to conclude and document	EY and Management
Review of latest Annual Report and Accounts	Review the Updated Annual Report and Accounts which were provided on 17 November 2023, to ensure that all account comments have been adequately addressed,	EY and Management
IAS 19 Reporting	Following the conclusion of the Directly Held Property Testing and internal review procedures, we will be reporting to the relevant admitted bodies.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on [going concern, directors' remuneration, climate-related matters and impairment sensitivities] remain to be finalised and audited.

# Appendix E – Management representation letter

## Management representation letter

### Management Rep Letter

Ernst & Young  
G1 Building  
5 George Square  
Glasgow Scotland  
G2 1DY  
United Kingdom

*This letter of representations is provided in connection with your audit of the financial statements of Tyne and Wear Pension Fund (“the Fund”) for the year ended 31/03/2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from [date] to [date] and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 201X, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.*

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

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

#### ▶ A. Financial Statements and Financial Records

- 1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.*
- 2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.*
- 3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the financial statements.*
- 4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.*
- 5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023 that are free from material misstatement, whether due to fraud or error.*

# Appendix E – Management representation letter

## Management representation letter

### Management Rep Letter

6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified (management to specify reason)

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

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

#### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.

# Appendix E – Management representation letter

## Management representation letter

### Management Rep Letter

- *Additional information that you have requested from us for the purpose of the audit.*
- *Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.*

*2. You have been informed of all changes to the Fund rules.*

*3. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions] are reflected in the financial statements[, including those related to the COVID-19 pandemic].*

*4. We have made available to you all minutes of the meetings of [members of the management of the Fund] and committees of [members of the management of the Fund] (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date, 29 November 2023.*

*5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year-ended 31 March 2023. These transactions have been appropriately accounted for and disclosed in the financial statements.*

*6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.*

*7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.*

*8. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with ISA (UK) 540.37 (Revised)*

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

# Appendix E – Management representation letter

## Management representation letter

### Management Rep Letter

#### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation claims, whether or not they have been discussed with legal counsel.

#### E. Going Concern

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

#### F. Subsequent Events

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

#### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises, pages 1-68 of the Annual Report and Accounts

2. We confirm that the content contained within the other information is consistent with the financial statements.

#### H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no [members of the management of the Fund] of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

#### I. Derivative Financial Instruments

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

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

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

#### K. Actuarial valuation

1. The latest report of the actuary, Aon Hewitt as at 31/03/2023 and dated 19 May 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

# Appendix E – Management representation letter

## Management representation letter

### Management Rep Letter

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

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

#### M. Estimates – Valuations

1. We confirm that the significant judgments made in making the valuation of investment assets have taken into account all relevant information of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the investment asset valuation.

3. We confirm that the significant assumptions used in making the investment asset appropriately reflect our intent and ability to carry out [describe the specific courses of action] on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty [and the effects of the COVID-19 pandemic], are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023.

5. We confirm that appropriate specialized skills or expertise has been applied in making the investment asset valuations.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements [including due to the COVID-19 pandemic].

Yours faithfully,

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(Chief Financial Officer)

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(Chair)

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*ED None*

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