



# South Tyneside Council

## Local Pension Board

Date: 20<sup>th</sup> October 2021

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## Annual Report and Accounts 2020/21 (for information and discussion)

Report of the Head of Pensions

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### **Purpose of Report**

1. To provide access for the Local Pension Board to the Fund's external auditor and their report on the Tyne and Wear Pension Fund Report and Accounts 2020/21.

## **Background**

2. The Fund's Financial Statements were approved by the Audit Committee and General Purposes Committee on 27<sup>th</sup> September and 29<sup>th</sup> September respectively. These were included in the South Tyneside Council Report and Accounts.
3. The Tyne and Wear Pension Fund Annual Report and Accounts 2020/21 was approved by Pensions Committee on 23<sup>rd</sup> September 2021.
4. A copy of the Report and Accounts has been included with the agenda, as a separate item.
5. A report from Ernst and Young (EY) that summarises their findings from the audit of the Report and Accounts is attached. This is still a draft version of the Audit Report, because at the time of writing, some limited testing was still being undertaken. The final Audit report is due to be issued imminently, and if received ahead of the Local Pension Board meeting it will be sent out to the Board.
6. EY will attend the meeting via a video link to brief the Local Pension Board on the audit of the accounts.

## **Recommendation**

7. The Local Pension Board is recommended to note the Report.

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## Annual Report and Accounts 2020/21

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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 2020/21		Investments Office, South Shields Town Hall



**Tyne and Wear  
Pension Fund  
Draft Audit Results Report**

Year ended 31 March 2021  
September 2021



Private and Confidential

21 September 2021

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

Dear Audit Committee Members

### **2021 Draft audit results report**

We are pleased to attach our draft audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. At the time of drafting this report for papers the audit is ongoing so we will update the Audit Committee at its meeting scheduled for 27 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021 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 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, 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 Audit Committee meeting on 27 September 2021 and the Local Pension Board on 23 September 2021.

Yours faithfully

Hassan Rohimun, Associate 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/audit-quality/statement-of-responsibilities/>). 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 (updated April 2018)" 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 and management of Tyne and Wear Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, 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 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 19 July 2021 Audit 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 Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £59.5m and our threshold for reporting misstatements would be £5.9m. At year end we updated our assessment and confirmed that these levels remained appropriate.

## Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

## Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

**Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Fund's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



# Executive Summary

## Status of the audit

Our audit work in respect of the Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Investments valuations testing
- ▶ Journals testing
- ▶ Review of predecessor auditor working papers and opening balances for Northumberland Pension Fund
- ▶ IAS 19 procedures
- ▶ Internal review procedures
- ▶ Going Concern
- ▶ Audit completion procedures

\*With effect from the 1 April 2020 Northumberland County Council Pension Fund (NCCPF) merged with Tyne and Wear Pension Fund (T&WPF). Since 1 April 2020 the merged pension fund has been incorporated into and managed by T&WPF, with the responsible administering authority being South Tyneside Council. In our Audit Planning Report we noted that the auditor of NCCPF had not issued their opinion on the 2019/20 financial statements, and understood their intention was to do so in early July 2021. We communicated that delays beyond this date would impact on our ability to provide IAS 19 assurances and conclude on the external audit of the Authority. The auditor of NCCPF signed their opinion on 25 August 2021 which was later than our initial expectation, and as a result procedures required to test the opening balance of NCCPF including review of their audit files were delayed and this has impacted our ability to conclude the audit of the Authority by 30 September 2021. We will update the Audit Committee on this matter at the meeting on 27 September.

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

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.

## Audit differences

- ▶ We identified a number of audit differences which have been adjusted for by management. Details of these are included in Section 4 of this report.
- ▶ There are no unadjusted audit differences.

## Other reporting issues

We review the Annual Report for consistency with the audited Pension Fund financial statements included in the South Tyneside Council Statement of Accounts. At the time of writing this report our review of the Annual Report is ongoing.

# Executive Summary

## 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 summarised within the "Areas of Audit Focus" section of this report.

### **Misstatements due to fraud or error**

Our audit work in this area is still ongoing, however, at the time of writing this report we have not identified any misstatements.

### **Valuation of unquoted pooled investment vehicles and private equity investments**

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 it was apparent that the valuations were significantly higher for private market investments than the amounts included in the accounts. Management adjusted the accounts to reflect this, with unquoted pooled investment vehicles increasing from £3,189m to £3,192m and private market investments increasing from £2,038m to £2,217m. This is an overall increase of £183m which has been included as an adjusted audit difference.

We are currently finalising our work on investments, but at the date of this report we have not identified any further misstatements.

### **Valuation of directly held property**

Our audit work in this area is still ongoing, however, at the time of writing this report we have not identified any misstatements.

### **Merger accounting and opening balances**

Our audit work in this area is still ongoing, however, at the time of writing this report we have not identified any misstatements.

### **Going Concern Compliance with ISA 570**

Our audit work in this area is still ongoing, however, at the time of writing this we have not identified any events or conditions that suggest managements assumption of going concern is inappropriate.

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

- ▶ There are no residual 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 to date, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Management.



# Executive Summary

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## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. Through our audit work, we have not identified any significant weaknesses in controls that we wish to bring to your attention.

We also considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment or effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

## Independence

Please refer to Section 7 for our update on Independence.



# 02 Areas of Audit Focus





## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

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 judgements are we focused on?

Our work in this area focused on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able to manipulate accounting records.

##### What did we do?

- ▶ 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 processes 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 estimate and identifying significant unusual transactions.

##### What are our conclusions?

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

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

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

Subject to conclusion of the outstanding matters detailed in Appendix B, we are content that the financial statements are not materially misstated as a result of fraud or error.



## Areas of Audit Focus

### Significant risk

#### Valuation of unquoted pooled investment vehicles

##### What is the risk?

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.

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.

##### What judgements are we focused on?

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 did we do?

- ▶ 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 pooled investments during the period to supporting evidence; and
- ▶ Reviewed the basis of valuation to ensure this is in line with accounting policy.

##### What are our conclusions?

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 it was apparent that the valuations were higher than the amounts included in the accounts. Management adjusted the accounts to reflect this, with unquoted pooled investment vehicles increasing from £3,189m £3,192m.

At the time of writing this report we are in the process of concluding our work in this area.





## Areas of Audit Focus

### Significant risk

#### Valuation of private equity investments

##### What is the risk?

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.

##### What judgements are we focused on?

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 did we do?

- ▶ We obtained understanding on 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.

##### What are our conclusions?

Our review of investment fund audited financial statements, the audit reports provided on those statements and the translation of foreign-denomination investments to sterling did not identify any issues.

Management updated the accounts based on the year end valuation provided by the investment managers. Private market investments therefore increased from £2,038m to £2,217m. This is an increase of £179m which has been raised as an adjusted audit difference. We have obtained direct confirmation from the Private Equity manager of the valuation as at 31 March 2021 and did not identify significant findings.



## Areas of Audit Focus

### Significant risk

#### Valuation of directly held property

##### What is the risk?

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.

##### What judgements are we focused on?

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, including assumptions about the impact of Covid-19 on the property market, were free from material misstatement.

##### What did we do?

- ▶ We documented and walked through the design and implementation of the controls over the valuation process;
- ▶ We obtained the valuation report from the external valuer (Savills) and reconciled the valuations provided to those utilised within the financial statements;
- ▶ We assessed the qualifications and experience of the external valuer to ensure that they can be relied upon as management's experts; and
- ▶ We engage EY Property experts to review and challenge the assumptions used by the external valuer to ensure that they are in line with our expectations.

##### What are our conclusions?

Our EY Property Experts have concluded their work on a sample of investment properties and found the valuations in the accounts to be within an acceptable range.



## Areas of Audit Focus

### Significant risk

#### Merger accounting

##### What is the risk?

On the 01 April 2020 the Northumberland Pension Fund (NPF) was merged into the Tyne and Wear Pension Fund (T&WPF). Following the merger NPF ceases to exist whereas T&WPF continues as a statutory entity. Therefore, management will be required to produce financial statements and make relevant disclosures following merger accounting guidance. These will be non routine transactions which management have limited prior experience of accounting for, hence will be an area of focus for the audit.

##### What judgements are we focused on?

Our work focused on the disclosures and adjustments made in the financial statements as a result of the merger.

##### What did we do?

We have performed the following procedures to address the risk:

- ▶ Reviewed the disclosures made in the financial statements to assess whether they are in accordance with the Code requirements on mergers; and
- ▶ Reviewed the adjustments and restatements made in the financial statements to assess whether they are in accordance with the Code requirements on mergers.

##### What are our conclusions?

Our work in this area is ongoing.



## Areas of Audit Focus



### Opening Balances

2020/21 will be the first year that we have completed the external audit for the newly merged Pension Fund, and as such the requirements of ISA(UK) 510 apply. When performing the audit, we report on the current period's balances, which are dependent upon the appropriateness of the opening balances. Therefore we are required to perform additional procedures in order to gain assurance that the opening balances are free from material misstatement.

We have performed the following procedures to address the risk:

- ▶ Reviewed the work of the predecessor auditors, to identify any issues identified that may impact upon the opening balances;
- ▶ Reviewed the work of the predecessor auditors to ensure the audit has been completed to an appropriate standard to allow us to place reliance on their audit opinion; and
- ▶ Substantively tested all opening balances to ensure that they have been accurately calculated from the prior year audited accounts for both Pension Funds.

At the time of writing this report we are still due to review the predecessor auditors working papers. We will update the Committee on the 27 September regarding our progress in this area.



## Areas of Audit Focus



### Going concern

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Fund will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Fund is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

We have performed the following procedures to address this risk:

- ▶ We challenged management's identification of events or conditions impacting going concern;
- ▶ We tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias);
- ▶ We reviewed the Fund's assessment that it is appropriate for the financial statements to be prepared on a going concern basis;
- ▶ We reviewed the Fund's cashflow forecast covering a period of at least 12 months from the reporting date, to ensure that it has sufficient liquidity to continue to operate as a going concern;
- ▶ We undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ We challenged the disclosure made in the accounts and annual report in respect of going concern and any material uncertainty.

At the time of writing this report, our work on going concern is ongoing.



## 03 Audit Report



## Draft audit report

### Our draft opinion on the financial statements

#### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL**

##### **Opinion**

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 25. 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 2020/21.

In our opinion the pension fund financial statements:

- ▶ give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and
- ▶ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

##### **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 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 (C&AG) 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 Chief Financial Officer'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 at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer 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 2020/21 set out on pages xx, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2020/21.

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.



# Audit Report

## Draft audit report (Cont'd)

### Our draft opinion on the financial statements

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

We have nothing to report in these respects

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on pages xx, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors 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 Finance Officer is responsible for assessing the Pension 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 Pension Fund either intends to cease operations, or have 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 (Cont'd)

### Our draft 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 both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension 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 Tyne and Wear Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. 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 had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations to be our fraud risk.

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.

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.

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.



# Audit Report

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## Draft audit report (Cont'd)

### Our draft opinion on the financial statements

#### Use of our report

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

Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Manchester





# 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

We highlight the following corrected audit misstatements greater than £5.9m that were identified during the course of our audit:

- ▶ 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 it was apparent that the valuations were significantly higher for private market investments than the amounts included in the accounts. Management adjusted the accounts to reflect this, with unquoted pooled investment vehicles increasing from £3,189m to £3,192m and private market investments increasing from £2,038m to £2,217m. This is an overall increase of £183m.
- ▶ We noted that the £11.4m creditors balance was incorrectly presented under loans and receivables on the financial instruments classification note.
- ▶ The amounts in Note 7 Benefits Payable of the financial statements does not match with the Fund Account specifically affecting Commutations and Lump Sum Retirement Benefits due to error.
- ▶ The related parties note stated charges from South Tyneside Council of 844k but this should have been 878k.

There were no uncorrected misstatements.





## 05 Other Reporting Issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

We are currently concluding our work in this area.

### 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 did not identify any issues which required us to issue a report in the public interest.

# Other reporting issues

### 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 Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and

We did not note any significant findings in relation to the above points.





06

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence



## Relationships, services and related threats and safeguards

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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 01 April 2020 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 next page includes a summary of the fees that you have paid to us in the year ended 2020/21 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm we have not undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd.

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 outside of the Statement of responsibilities issued by the PSAA has been submitted.



# Relationships, services and related threats and safeguards

## Services provided by Ernst & Young

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Final fee 2019/20
	£	£
Scale Fee - Code work - Note 1	27,449	27,449
Revision to Scale Fee - Note 1	34,699	34,699
IAS 19 Procedures - Code (Note 2)	8,000 to 12,000	8,000
Total Fee - Covid-19 impact	2,000 to 5,000 (Note 4)	14,382 (Note 3)
Revisions (Revised auditing standards ISA 540 and ISA 570) (Note 5)	3,500 to 6,000	N/A
Revisions - Merger (Note 6)	5,500 to 12,500	N/A
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Fund; and
- The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the base fee.

(1) We wrote to management and the Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. Our Audit Planning Report in 2019/20 highlighted that we would be having further discussions with management to agree a scale fee variation for 2019/20 onwards and set out some of the factors informing this discussion. We were unable to agree a scale fee variation with management and submitted our proposal to PSAA to make a determination. PSAA have not yet made this determination. The base fee set by PSAA for our 2020/21 audit is £27,449.

(2) A fee is charged for the provision of IAS 19 assurances to the auditors of scheduled bodies that are subject to the NAO Code of Audit Practice. Such additional fees are permissible under the PSAA contract and will represent a scale fee variation requiring PSAA approval. Management may opt to recharge such fees to the relevant member bodies. As the Pension Fund has now merged with Northumberland Pension Fund we are expecting to receive additional IAS19 requests and therefore the fee will be increased to reflect this.

(3) In 2019/20 the scale fee variation related to the impact of the Covid-19 pandemic and the additional audit procedures that we were required to undertake to issue our audit opinion. These included general inefficiencies arising from the remote audit process and the additional work and consultation undertaken to address the impact of Covid-19 on the going concern status of the Pension Fund. Elements of the additional fee were agreed with management but the total variation has been submitted to PSAA for determination.

(4) We note that Covid-19 is likely to continue to have an impact on our 2021 audit.

### All fees exclude VAT

(5) Revised auditing standards in relation to going concern and estimates has increased the level of work we need to perform in these areas. This will require additional fee to be charged in 2020/21 onwards which will be agreed with management and reported to the Audit Committee.

(6) Additional procedures will need to be performed in relation to the merger and going forwards we are auditing a substantially larger Pension Fund. An increased fee will therefore need to be agreed with management and communicated to the Audit Committee.

## Other communications

### EY Transparency Report 2020

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 2020:

[EY UK Transparency Report 2020 | EY UK](#)





A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

# 08 Appendices

## Appendix A

# Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance 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 2021
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 2021
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>	Audit Planning Report - July 2021







# Appendix A

		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 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>	Audit Results Report - September 2021
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>	Audit Results Report - September 2021
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report - September 2021

# Appendix A




		 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>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - September 2021
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>	Audit Results Report - September 2021
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report - July 2021 Audit Results Report - September 2021

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ 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</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - September 2021
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ 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</li> </ul>	Audit Results Report - September 2021






# Appendix A

		 Our Reporting to you
<b>Required communications</b>	 What is reported?	 When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - September 2021 Management Representation Letter
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - September 2021
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - September 2021

## Appendix B

# 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 
Completion of investments valuation test	Valuation test for unquoted pooled investments and directly held property investments are currently underway.	EY
Test of journal entries	Receipt of remaining samples for our journal entries test.	EY and management
Test of opening balance of Northumberland Pension Fund	File review of predecessor auditor working papers.	EY
Merger Accounting	Disclosure Check against the Code requirements.	EY
Completion of IAS 19 procedures	We are awaiting for the responses on our queries on benefits payments to complete our procedures.	EY and management
Internal Review Procedures	Engagement Partner and Manager review of the working papers is currently ongoing.	EY
Going Concern	Finalisation of going concern disclosures.	EY
Management representation letter	Receipt of signed management representation letter	Management and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management

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 remain to be finalised and audited. A draft of the current opinion is included in Section 3.

# Management representation letter

## Management Rep Letter

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

Dear Sirs

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 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2021 to 31 March 2021 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 2020/21 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### 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.

## Management representation letter (Cont'd)

### Management Rep Letter

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 non-compliance 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:
  - ▶ Involving financial improprieties
  - ▶ Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - ▶ Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
  - ▶ 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.
  - ▶ 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 year to the most recent meeting on the following date [date].
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We 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.

## Management representation letter (Cont'd)

### Management Rep Letter

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 applicable financial reporting framework.

9. From 26 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

#### D. Liabilities and Contingencies

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

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

#### E. Going Concern

1. Note [X] 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, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### G. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the information disclosed on pages xx of the South Tyneside Council Financial Statements 2020/21.

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

#### H. Independence

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

We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

## Management representation letter (Cont'd)

### Management Rep Letter

Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

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

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 March 2021 and dated 20 June 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

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

1. We agree with the findings of the specialists that we have engaged to value {the asset description such as annuity policies} 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**

##### Property Valuation Estimate

1. We confirm that the significant judgments made in making the property valuation estimates have taken into account all relevant information and the effects of the COVID-19 pandemic 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 property valuation estimate.
3. We confirm that the significant assumptions used in making the property valuation estimate appropriately reflect our intent and ability to carry out 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, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the property valuation estimate.
6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

Yours faithfully,

\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(Chair)

## EY | Assurance | Tax | Transactions | Advisory

### About EY

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

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ED None

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