

4th Floor  
102 West Port  
Edinburgh EH3 9DN

4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

1st Floor, Room F03  
The Green House  
Beechwood Business Park North  
Inverness  
IV2 3BL

T: 0131 625 1500  
E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



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## Tayside Pension Fund - Pension Sub-committee

23 August 2018

# Tayside Pension Fund Audit of 2017/18 annual accounts

### Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 4 September 2018 (the proposed report is attached at [Appendix A](#)).

### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Pension Sub-committee's consideration our draft annual report on the 2017/18 audit. No significant findings were identified in respect of the annual accounts which we require to draw to your attention in accordance with International Standard on Auditing (ISA) 260.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. One misstatement which exceeded our reporting threshold has been identified in the audited financial statements. Management do not propose to adjust for the item, as the amount of £1.7 million is not considered material in the context of the financial statements. Details of the unadjusted misstatement are included in the "evaluation of misstatements" section of our 2017/18 Annual Audit Report which accompanies this letter.

## **Fraud, subsequent events and compliance with laws and regulations**

7. In presenting this report to the Pension Sub-committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from Section 95 Officer**

8. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

## **APPENDIX A: Proposed Independent Auditor's Report**

### **Independent auditor's report to the members of Dundee City Council as administering authority for Tayside Pension Fund and the Accounts Commission**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual report of Tayside Pension Fund (the fund) for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise, for the Tayside Pension Fund, the Fund Account, the Net Assets Statement and the notes to the financial statements, including a summary of significant accounting policies and for the Tayside Transport Pension Fund, the Fund Account, the Net Assets Statement and the notes to the financial statements, including a statement on significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the financial transactions of the Tayside Pension Fund during the year ended 31 March 2018 and of the amount and disposition at that date of its assets and liabilities;
- give a true and fair view in accordance with applicable law and the 2017/18 Code of the financial transactions of the Tayside Transport Pension Fund during the six months ended 30 June 2017 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern basis of accounting**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Responsibilities of the Executive Director of Corporate Services and the Tayside Pension Sub-committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Executive Director of Corporate Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director of Corporate Services determines 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 Executive Director of Corporate Services 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 deemed inappropriate.

The Tayside Pension Sub-committee is responsible for overseeing the financial reporting process.

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

My objectives are to achieve 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 my 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual report**

The Executive Director of Corporate Services is responsible for the other information in the annual report. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material

misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2014.

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

[Signature]

Fiona Mitchell-Knight  
Audit Director, Audit Services  
Audit Scotland  
4TH Floor, The Athenaeum Building  
8 Nelson Mandela Place  
GLASGOW  
G2 1BT

4 September 2017

## APPENDIX B: Letter of Representation (ISA 580)

Fiona Mitchell-Knight  
Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Audit Director

### **Tayside Pension Fund Annual Accounts 2017/18**

1. This representation letter is provided about your audit of the annual accounts of Tayside Pension Fund for the year ended 31 March 2018 (including the Tayside Transport Pension Fund for the six months to 30 June 2017) for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the management commentary, annual governance statement and governance compliance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the relevant officers, the following representations given to you in connection with your audit of the Tayside Pension Fund's annual accounts for the year ended 31 March 2018.

### **General**

3. Tayside Pension Fund and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Tayside Pension Fund have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the transactions and state of affairs of the Tayside Pension Fund for the year ended 31 March 2018 (and the Tayside Transport Pension Fund for the six months to 30 June 2017).

## Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Tayside Pension Fund's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## Going Concern Basis of Accounting

9. I have assessed Tayside Pension Fund 's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Tayside Pension Fund 's ability to continue as a going concern.

## Contributions – Pension Strain

10. All contributions due to the fund have been properly identified and accounted for. In particular the 'strain on the fund' costs have been properly recharged to relevant services and bodies.

## Assets

### Investments

11. For the year ended 31 March 2018 ( and the Tayside Transport Pension Fund for the six months to 30 June 2017), the amounts included in the net assets statement reflect investments managed externally by appointed fund managers and the global custodian on behalf of the fund. Amounts have been calculated in accordance with approved bases of valuation and fairly represent the values at 31 March 2018 (Tayside Transport Pension Fund at 30 June 2017). In making these assertions I am reliant on the opinions of the appointed fund managers. As far as we can reasonably ascertain, all assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## Banking and Cash Flow Arrangements

12. The pension fund maintains a separate bank account and while these accounts form part of Dundee City Council's treasury management arrangements, the pension fund can demonstrate that there is no borrowing from the administering authority. Amounts due to the administering authority to cover daily cash flows such as payments through the council's systems are reimbursed on a regular basis.

## Other Current Assets

13. On realisation in the ordinary course of the Fund's business, the other current assets in the Net Assets Statement are expected, in my opinion, to produce at least the amounts at which they are

stated. In particular adequate provision has, in my opinion, been made against all amounts owing which are known or may be expected to be irrecoverable.

### **Actuarial Assumptions**

14. The pension assumptions made by the actuary in the IAS19 report as at 31 March 2018 and the 2017 triennial valuations have been reviewed and I confirm that they are consistent with management's own view.

### **Liabilities**

15. All liabilities have been provided for in the financial records, including the liabilities for all purchases to which title has passed prior to 31 March 2018 (Tayside Transport Pension Fund prior to 30 June 2017).

### **Provisions**

16. There are no provisions included in the financial statements of the Tayside Pension Fund for 2017/18.

### **Commitments**

17. There are no significant commitments or obligations including financial guarantees and offers of financial support which might adversely affect the fund.

### **Carrying Value of Assets and Liabilities**

18. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

### **Contingent liabilities/assets**

19. There are no significant contingent liabilities or contingent assets.

### **Fraud**

20. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

21. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.



## Related Party Transactions

22. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all the Tayside Pension Fund's related parties and all the related party relationships and transactions of which I am aware.

## Management commentary

23. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## Events Subsequent to the date of the Net Assets Statements

24. There have been no material events since the date of the Net Assets Statement which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
25. Since the date of the Net Assets Statements no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice

## Corporate Governance

26. I confirm that Tayside Pension Fund has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
27. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

## Other Matters

28. Except as disclosed in the financial statements, the results for the period were not materially affected by:
- (i) transactions of a sort not usually undertaken by Tayside Pension Fund;
  - (ii) circumstances of an exceptional or non-recurrent nature;
  - (iii) charges or credits relating to prior periods; and
  - (iv) any change in the basis of accounting.

Yours sincerely

Gregory Colgan BAcc (Hons), ACMA, CGMA  
Executive Director of Corporate Services, Dundee City Council