



North Yorkshire Pension Fund

Final Report to the North Yorkshire County Council Audit
Committee on the Local Government Pension Fund Audit

31 March 2015

Audit Committee
North Yorkshire County Council
County Hall
Northallerton
Leeds
DL7 8AD

15 September 2015

Dear Sirs,

We have pleasure in setting out in this document our report to the Governance and Audit Committee of North Yorkshire County Council with regard to the North Yorkshire Pension Fund for the year ended 31 March 2015. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2015.

In summary:

- Our work is substantially complete. We will be in attendance at the Audit Committee meeting on 24 September 2015 and will present an update to our report on our audit at that time.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- In the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable.

This is our final year as the external auditor of the Authority following the transition of the Audit Commission contract in 2015/16. We would like to take this opportunity to thank you for your assistance and co-operation during our time as your external auditors. We would particularly like to take this opportunity to thank Gary Fielding, Corporate Director- Strategic Resources, and his team.

Chris Powell
Senior Statutory Auditor

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A reminder of our audit plan:

- We determined materiality as £24.0m (2013/14 £20.8m) and a reporting threshold of £480,000 (2013/14 £417,000).
- We identified 4 significant risks in our Audit Plan and have not made any changes from the scope set out in the Audit Plan.
- A controls based audit approach has not been considered appropriate for the current year; instead we have taken a substantive approach to testing the financial statements.



The big picture

The Big Picture

We anticipate issuing an unmodified audit opinion upon completion of our work.

Audit work

- We have received the first draft financial statements of the pension fund annual report on 12 August 2015.
- From our audit work on the financial statements we have not identified any material misstatements or significant deficiencies in internal controls at the North Yorkshire Pension Fund. A small number of comments on the annual report and accounts have been identified which we understand will be corrected by management.
- A draft representation letter has been included at Appendix 5.
- From our work undertaken so far we expect to issue an unmodified opinion in line with your specified deadlines. A draft opinion is included at Appendix 6.

Transition to the new auditors

2014/15 is the final year of our appointment as external auditors to the Council. The Audit Commission has an established protocol in place for the handover of audits between auditors, which includes the provision of information to the new auditors and access to our files. KPMG, the Fund's new auditors from 2015/16, have not yet been in contact to advise us as to how they would like to apply the protocol in practice and their preferred timetable. We will work with KPMG within the guidance set out in the protocol to ensure as smooth a handover as possible.

We have the following principal matters to complete:

- receipt of a breakdown of investments in the ECM investment;
- sundry minor testing;
- completion of internal quality control procedures;
- subsequent events review; and
- receipt of signed letter of representation.

Significant audit risks

This section explains the nature of significant risks, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and/ or disclosure matters within the financial statements.

1. Contributions

There are complexities around the calculation of contributions.

Nature of risk

We have identified the calculation of contributions as a significant risk on the grounds that:

- There is complexity arising from the participation of different employers within the fund, and employees paying tiered contribution rates depending upon their pensionable pay;
- A new schedule of rates relating to 1 April 2014 and beyond has been brought into force, varying the rates at which employers are expected to pay. This is as a result of the actuary's triennial valuation dated 31 March 2013; and
- Complexity also arises because pensionable pay now includes non-contractual overtime for part-time staff.

The key judgement areas and their potential impact on the financial statements and our audit challenge

Contributions are a material income stream for the Fund. We note that the authority is not responsible for the calculation of contributions and that any tests to ensure the accuracy of contributions have been undertaken with the assistance of the other scheduled and admitted bodies. Due to the complexity arising from tiered contribution, the new schedule of rates and multiple employing bodies we consider that there is a risk of material misstatement for contributions in relation to both completeness and accuracy. Our audit challenge has therefore focussed on gaining assurance over the design and implementation of controls operated by management as well as undertaking substantive audit procedures.

Audit work completed to address the significant risk

We have performed the following testing to address the significant risks around contributions:

- reviewed the design and implementation of controls present at the Fund for ensuring contributions from the Administering Authority and all Scheduled and Admitted bodies are identified and calculated correctly;
- we selected a sample of members from the Administering, Scheduled and Admitted bodies and reviewed breakdowns by individual of pensionable pay, employee and employer contributions. On a sample basis we agreed this information to individual payslips and reviewed whether the contributions tested were calculated correctly in all material respects and agreed the payment to the independent employer member return;
- we selected a sample of members and confirmed if their member status was appropriate; and
- we performed an analytical review to gain assurance over the completeness of contributions.

Conclusion on contributions risk

All testing on contributions completed with satisfactory results.

Deloitte view

Testing on contributions completed with satisfactory results.

2. Benefits

There are complexities surrounding the calculation of both benefits in retirement, ill health and death benefits as well as adoption of LGPS 14 regulations in the period.

Nature of risk

We have identified the calculation of benefits as a significant risk on the grounds that:

- There is complexity arising from the calculation of benefits in retirement, specifically with the adoption of LGPS 2014 and transition to Career Average Revalued Earnings (CARE) as basis of pension calculation from 1 April 14 onwards.
- There have been changes to the accrual and revaluation rate in year, which increases the complexity involved in the calculation of benefits; and
- The calculation of ill health retirements and death benefits is inherently complex.

The key judgement areas and their potential impact on the financial statements and our audit challenge

Benefits paid are a material class of transaction. The significant number of Benefits paid each year means that incorrect calculations could yield a material error. Due to the complexity arising from the calculation of benefits we consider that there is a risk of material misstatement for benefits paid in relation to the accuracy of the calculation. Our audit challenge has therefore focussed on gaining assurance over the design and implementation of controls operated by management as well as performing recalculation of benefits paid from first principles to confirm the accuracy of management calculation produced by the Altair system.

Audit work completed to address the significant risk

The following tests were performed to address the significant risk around benefits:

- we reviewed the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing to controls were implemented during the year under review;
- we performed tests of detail, on a sample of benefits paid, by agreement to supporting calculations and other documentation, to test whether benefits were in all material respects correctly calculated, by reference to their qualifying service and fund rules;
- we have developed an expectation based on changes in membership numbers to analytically review the benefits paid in the year;
- we reviewed the NFI matches report with management and noted a small value and volume of payments to deceased members. This is consistent with our past experience and we note that management are seeking to recover amounts owed to the Fund;
- we considered on a sample basis whether any changes in benefit rates were applied on a timely basis and correctly calculated; and
- we selected a sample of members and confirmed if their member status was appropriate.

Conclusion on benefits risk

One immaterial cut-off differences was identified which arises from an approximation made by management to account for 52 weeks of benefits paid. (see Appendix 1)

Deloitte view

From our testing of benefits as set out below there is one immaterial differences in relation to the cut-off of benefits paid to bring to the attention of those charged with governance.

3. Investments

There are areas of judgement involved in the valuation of investments.

Nature of risk

We have identified the valuation of investments as a significant risk on the grounds that:

- The pension fund's investments include absolute return vehicles and quoted property funds.
- The valuation of absolute return vehicles and quoted property funds is normally undertaken by the fund managers and are more complex to value.

The key judgement areas and their potential impact on the financial statements and our audit challenge

Investments held by the fund in absolute return vehicles and quoted property funds are a material class of transactions. Judgements are taken by the Investment Managers to value those investments and prices for these investments are not publically available and therefore any error in judgement by the investment manager could result in a material valuation error. Our audit challenge has therefore focussed on gaining assurance over the appropriateness of the valuation proposed by the investment manager.

Audit work completed to address the significant risk

The following tests were performed to address the significant risk around investments:

- we have reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly;
- we have assessed the independence of the investment managers and custodian used by the Fund. We have obtained internal control reports, where available, for investment managers and reviewed the controls in place around valuation to identify any weaknesses;
- we have reconciled the total value of the investments held by the Fund as reported in the custodian report from Bank of New York Mellon to the value of investments reported in the Net Assets Statement;
- we liaised with our internal financial instrument specialists on this approach; and
- we have performed a test of detail on the quoted property fund (Hermes) and the absolute return vehicle (Newton) to independent prices obtain from Bloomberg and other independent sources.

At the date of preparation of this report we are still to receive a breakdown on the investment held within the ECM absolute return vehicle to allow us to pick a sample of underlying investments to perform independent price testing.

Conclusion on investment risk

At the date of preparation of this report our work is still on-going. We will provide an oral update to the Audit Committee. Through our testing of equities we noted an undervaluation of £6,483,000 in relation to the Baillie Gifford Life Investments arising from the time of day that independent pricing information was obtained by Bloomberg and other independent sources. We have also identified an overstatement of £543,000 in relation to the Standard Life Diversified Growth Fund compared to the broker price.

Deloitte view

Our testing is still ongoing and we will provide an oral update to the Audit Committee.

4. Management override of controls

In accordance with International Standards on Auditing (ISA240), we presume that there is a risk of fraud as a result of management override of control.

Nature of risk

ISA 240 requires auditors to identify a presumed risk of management override of controls. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place.

The significant risk in relation to management override, its impact on the financial statements and our audit challenge

Any significant judgements made by management could materially impact the financial statements. Items that are particularly of audit interest are estimates and provisions that have been put in the year end accounts.

Audit work completed to address the significant risk

We have performed the following audit procedures:

- reviewed the processes and performed design and implementation work on the controls management have in place;
- used our Audit Analytics software to test a risk focused sample of journals to ensure their appropriateness;
- reviewed estimates for evidence of bias;
- reviewed the year end accounts for provisions; and
- reviewed the business rationale of any significant transactions that are outside the normal course of business for the Fund.

Conclusion on management override of controls risk

During the course of the year the Fund performed a bulk transfer to the Greater Manchester Pension Fund in respect of members from the probationary service as part of the national process to consolidate all probationary service members in to one local government pension. From our review of the transfer documentation there are no matters to bring to the attention to those charged with governance.

Deloitte view

From our testing of a risk based sample of journals and review of Committee minutes, we do not consider management's estimates to be unreasonable and nor have we identified any evidence of bias.

This section focuses on the annual report, as well as the sufficiency of other required disclosures. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the disclosures.

Your annual report— our review and insights

Our review of your annual report

We highlight a number of observations from our audit procedures



Financial reporting	Comment	Matters to bring to your attention
The Annual Report is required to be prepared in accordance with Code of Practice on Local Authority Accounting t/15 and the additional requirements of regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008 ("Regulation 34)	Management provided a copy of the un-audited draft accounts by 30 June 2015 which is in accordance with the Local Government Accounts and Audit (England) Regulations 2011. A first draft of the Annual Report which includes the additional information required by Regulation 34 was provided to audit on 12 August 2015.	We have reviewed the disclosures in the accounts against the current version of the Local Government Pension Accounts and Disclosure checklist. We have identified a number of minor points that have been corrected by management. We have also considered the completeness of the additional information and noted that this is in accordance with the requirements of Regulation 34.
Accounting policy	Comment	Matters to bring to your attention
The accounting policies have been prepared in accordance with the Code of Practice on Local Authority Accounting 2014/15	Management update the accounting policies on an annual basis and present these to the Audit Committee for their consideration.	There are no matters to bring to your attention from our review of the Fund's accounting policies.
Other disclosure matter	Comment	Matters to bring to your attention
A statement on the IAS 19 position has been prepared by the Actuary	In accordance with the Code of Practice on Local Authority Accounting 2014/15 the Fund is required to include details of the actuarial present value of promised retirement benefits. In 2014/15 the Fund has continued to adopt a format C presentation, meaning that the report is appended to the accounts.	In accordance with the guidance issued by the Audit Commission when a local government pension fund adopt a format C presentation for the actuarial present value of promised retirement benefits then this information is not subject to audit. Our procedures have therefore been limited to considering the consistency of this information with knowledge gained during our audit.

In this section we set out our comments regarding your internal control and risk management processes. We communicate any significant deficiencies in the internal control environment to the Audit Committee.

Insight - Internal control and risk management

Internal control and risk management

We highlight a number of observations from our audit procedures



We are required to provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to risks that may affect financial reporting; and other risks arising from the entity's business model and the effectiveness of related internal controls.

Significant Risk	Internal Controls	Current position
Contributions	<ul style="list-style-type: none"> Quarterly reconciliations are performed of cash received against contributions recorded in oracle. Contributions are accounted for on a monthly basis when received from employers. Annual returns are received from employers which are checked against the monthly records. The pensions team verify a members eligibility to join the scheme via confirmation from the employer. Changes to membership records such as hours need to be confirmed by the employer. An additional check is done at the end of the year to reconcile what was paid over by the employer to the Fund to the employers annual return to identify any errors caused by incorrect information in Axise. 	G
Benefits	<ul style="list-style-type: none"> On retirement members are given a choice on the level of pension vs. lump sum. Members are required to sign the retirement option form stating what option they are choosing and this is then uploaded to Axise. The pensions team send a file of all pensioners data to ATMOS, who match against their database and ensure the Fund is aware of the occurrence of all deaths of its members. On a monthly basis a three way reconciliation is performed of benefits paid between the bank account and Oracle, Oracle to the cash code allocations and cash code allocations to Axise. 	G
Investments	<ul style="list-style-type: none"> Investment reports are received from the Custodian on a monthly basis and reconciled to the information received from the investment manager. On a monthly basis the valuation of the investments in the ledger is reconciled to the custodian report and the investment manager reports. Compliance with the Statement of Investment Principles and performance of investment are reported to the Pension Fund committee on a quarterly basis. 	G
Management override of controls	<ul style="list-style-type: none"> Regular financial reporting to the Pension Fund committee including progress against budget. Segregation of duties are in place for the electronic approval of journals posting however there is no limit on the value of journals each team member can post. For large and/or complex transactions the journal is reviewed by Tom Morrison however large and/or complex journals are not defined. 	A

G No issues noted
 A Acceptable but could be improved
 R Requires significant improvement

Internal control and risk management (continued)



Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the work of internal audit and considered any impact upon our risk assessment. We did not place direct reliance on the work of internal audit.

Responsibility Statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- results of our work on key audit judgements;
- our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting; and
- Other insights we have identified from our audit.

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Fund.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements.

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan dated June 2015 and the supplementary "Briefing on audit matters" which was circulated as an appendix to the Audit Plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP
Chartered Accountants

Leeds
15 September 2015

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Audit adjustments

Unadjusted misstatements detail

Uncorrected misstatements

The following uncorrected misstatements have been identified up to the date of this report which, as required by International Standards on Auditing (UK and Ireland), we request that you ask management to correct. Uncorrected misstatements decrease net increase in net assets by £5.3 million and decrease net assets by £5.3 million.

		Debit/(credit) income statement £000	Debit/(credit) in net assets £000	Debit/(credit) prior year retained earnings £000	Debit/(credit) in revenue £000
Misstatements identified in current year					
Factual differences identified during investment testing	[1]	(6,483)	6,483	-	-
Factual difference identified during investment testing	[2]	543	(543)	-	-
Factual difference identified during unrecorded liability testing	[3]	608	(608)	-	-
Total		(5,332)	5,332	-	-

[1]: Pricing differences identified in relation to the Baillie Gifford Life Investments arising from the time of day that independent pricing information was obtained by Bloomberg and other independent sources. This issue is consistent with the prior year when a difference of £3,286,000.

[2]: Pricing difference identified in relation to Standard Life Diversified Growth Fund arising from quoted broker price published on 31 March 2015.

[3]: Cut-off difference arising on benefits paid arising from using actual benefits owed as opposed to 52 week approximation.

Disclosure deficiencies

From our work to date we have identified a small number of comments on the financial statements which have been corrected by management. There are no remaining disclosure deficiencies.

Appendix 2: Fraud: responsibilities and representations

Required representations



We have asked the Members to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity or group.

Concerns



No concerns have been identified from whistle blowing procedures from the work noted above and our audit procedures.

Audit work performed



In our planning we identified the risk of management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance. We have made direct enquiries in relation to any fraud risk factors and instances of fraud during the year. Our testing of NFI matches process and of journals provides comfort over the risk of management override of controls which was raised as a fraud risk.

In addition, we have reviewed management's own documented procedures regarding the fraud and error in the financial statements.

We have reviewed the paper prepared by management for Pension Fund Committee and the Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Appendix 3: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland) we are required to report to you on the matters listed below:

Independence confirmation

We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

As part of our planning report we noted and discussed with members that the engagement partner and senior manager have a “long association” with North Yorkshire Pension Fund having already worked on the fund audit for seven financial year ends. We confirm that we have implemented the additional safeguards that were set out in our planning report being the inclusion of a Strategically Focussed Second Partner and an additional junior manager as part of our engagement team. These additional reviews have provided robust and independent challenge to the work conducted on our audit of the Fund for the year ended 31 March 2015 and there are no concerns arising from the “long association” that we want to bring to the attention of those charged with governance.

Fees

We have not provided any non-audit services in the period from 1 April 2014 to 31 March 2015

Non-audit services

In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Authority’s policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

There are no other relationships with North Yorkshire Pension Fund which would impact on our objectivity and independence.

The professional fees earned by Deloitte in the period from 1 April 2014 to 31 March 2015 are as follows:

	Current year £000	Prior year £000
Audit of North Yorkshire Pension Fund	24	24
Total	24	24

Appendix 4: Our approach to audit quality

Recognition of and further impetus for our quality agenda

Audit quality is our number one priority. We pride ourselves on our commitment to quality and our quality control procedures. We have an unyielding pursuit of quality in order to deliver consistent, objective and insightful assurance.

In May 2015 the Financial Reporting Council (“FRC”) issued its Annual Report on Audit Quality Inspections which provides an overview of its activities of its Audit Quality Review (“AQR”) team for the year ended 31 March 2015. It also issued individual reports on each of the four largest firms, including Deloitte. We adopt an open and communicative approach with the regulator and their contribution to audit quality is respected and supported at all levels of our firm. We consider that the AQR’s report provides a balanced view of the focus and results of its inspections and its recognition of the emphasis we place on our overall systems of quality control is welcome.

We value the regulator’s inspection and comments, and the review performed by the AQR forms an important part of our overall inspection process. We perform causal factor analysis on each significant finding arising from both our own internal quality review and those of our regulators to fully identify the underlying cause. This then drives our careful consideration of each of the FRC’s comments and recommendations, as well as findings arising from our own review to provide further impetus to our quality agenda.

The AQR’s conclusion on Deloitte

“The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures. These are set out in this report. Our findings relating to reviews of individual audits largely relate to the application of the firm’s procedures by audit personnel, whose work and judgments ultimately determine the quality of individual audits. The firm took a number of steps in response to our prior year findings to achieve improvements in audit quality. This included enhanced guidance, technical communications and audit training on the recurring themes. Certain aspects of the guidance could, however, have been issued on a more timely basis.”

2014/15 Audit Quality Inspection Report on Deloitte LLP

Fifteen of the audits reviewed by the AQR were performed to a good standard with limited improvements required and five audits required improvements. No audits were assessed as requiring significant improvements. The overall analysis of the AQR file reviews by grade for the last five years evidences that, among the largest firms, Deloitte remains at the forefront of audit quality with 68% of audits reviewed by the AQR assessed as good with limited improvements required and, at 5%, the lowest level of audits being assessed as significant improvement required, with none in this category in 2014/15.

We have already taken action to respond to the key themes of the report and will continue to undertake further activities to embed the changes into our practice.

Appendix 4: Our approach to audit quality (continued)

Recognition of and further impetus for our quality agenda

Areas identified for particular attention	How addressed in our audit
Ensure that audit teams focus more on the audit of valuations and accounting estimates, including appropriate challenge of management and enhancing the quality of audit evidence relating to the key assumptions.	This is a significant audit risk in relation to investments and is addressed on page five of this paper.
Improve the testing of management reports and other system generated information to obtain assurance on its reliability for audit purposes.	We have performed testing of management report on membership data within our testing of both contributions and benefits and is addressed on pages three and four of this paper.
Improve the testing of controls, including the assessment of the effectiveness of monitoring controls and how identified weaknesses in IT controls are addressed.	We did not take a controls reliant approach to the audit of the Fund. For each significant risk identified we have identified the key management controls and performed design and implementation testing over these key controls which is addressed on pages three to six of this paper.
Ensure that audit planning discussions are held with Audit Committees on a more timely basis to enable their input to be reflected appropriately in the audit plan.	Our audit planning discussion was held with the Audit Committee in July 2015 at the meeting where the first draft of the accounts were presented.
Ensure more timely development of enhanced guidance when addressing internal and external quality review findings.	While this does not directly affect our audit plan, we will ensure that our engagement team always utilise the most recent expert advice and guidance.

Appendix 5: Letter of Representation

Deloitte LLP

One City Square

Leeds

LS1 2AL

Our Ref: CDP/AJL/NYPF2015

24 September 2015

Dear Sirs

North Yorkshire Pension Fund (the “Fund”)

2014/15 Audit – Representation Letter

This representation letter is provided in connection with your audit of the Fund’s financial statements for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the period from 1 April 2014 to 31 March 2015 and of amount and disposition at the end of the Fund period of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the period, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We acknowledge as members of North Yorkshire County Council our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which show a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Appendix 5: Letter of Representation (continued)

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the Fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

Information provided

7. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter and required by the Fund Administration Regulations.
8. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
9. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
10. 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.
11. We are not aware of any significant facts relating to any fraud or suspected fraud affecting the Fund involving:
 - (i). management;
 - (ii). employees who have significant roles in internal control; or
 - (iii). others where the fraud could have a material effect on the financial statements.
12. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Fund’s financial statements communicated by employees, former employees, analysts, regulators or others.
13. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, including breaches of the Money Laundering Regulations, and contractual agreements whose effects should be considered when preparing financial statements

Appendix 5: Letter of Representation (continued)

14. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.
15. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
16. No claims in connection with litigation have been or are expected to be received.
17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
18. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the Fund should change.
19. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequent.
20. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements
21. You have been informed of all changes to the Fund rules during the year and up to the current date.
22. 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
23. The Fund has satisfactory title to all assets.
24. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
25. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Fund (Administration) Regulations 2008 and related guidance.
26. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2015 is complete, accurate and consistent with the information that is contained within the Accounts.

Appendix 5: Letter of Representation (continued)

27. We confirm that:

- all retirement benefits and funds, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the fund liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of North Yorkshire County Council

Appendix 6: Draft opinion

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF NORTH YORKSHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2015, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

This report is made solely to the members of North Yorkshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' 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 Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director – Strategic Resources and the auditor

As explained more fully in the Statement of the Corporate Director – Strategic Resources Responsibilities, the Corporate Director – Strategic Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of North Yorkshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We also read the other information contained in the pension fund annual report as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Appendix 6: Draft opinion (continued)

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of North Yorkshire County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

[Signature]

Christopher Powell FCA (Engagement Lead)
For and on behalf of Deloitte LLP
Appointed Auditor
Leeds UK

24 September 2015

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