

Staffordshire Pension Fund

Audit results report

Year ended 31 March 2017

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right. The logo is positioned in the bottom right corner of the page.

EY

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Private and Confidential

25 September 2017

Dear Audit Committee Members

We have substantially completed our audit of Staffordshire Pension Fund for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements and consistency report on the annual report in the form at section 3, before the statutory deadline of 30 September 2017 for the financial statements.

This report is intended solely for the use of the Audit Committee, other members of the Fund, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

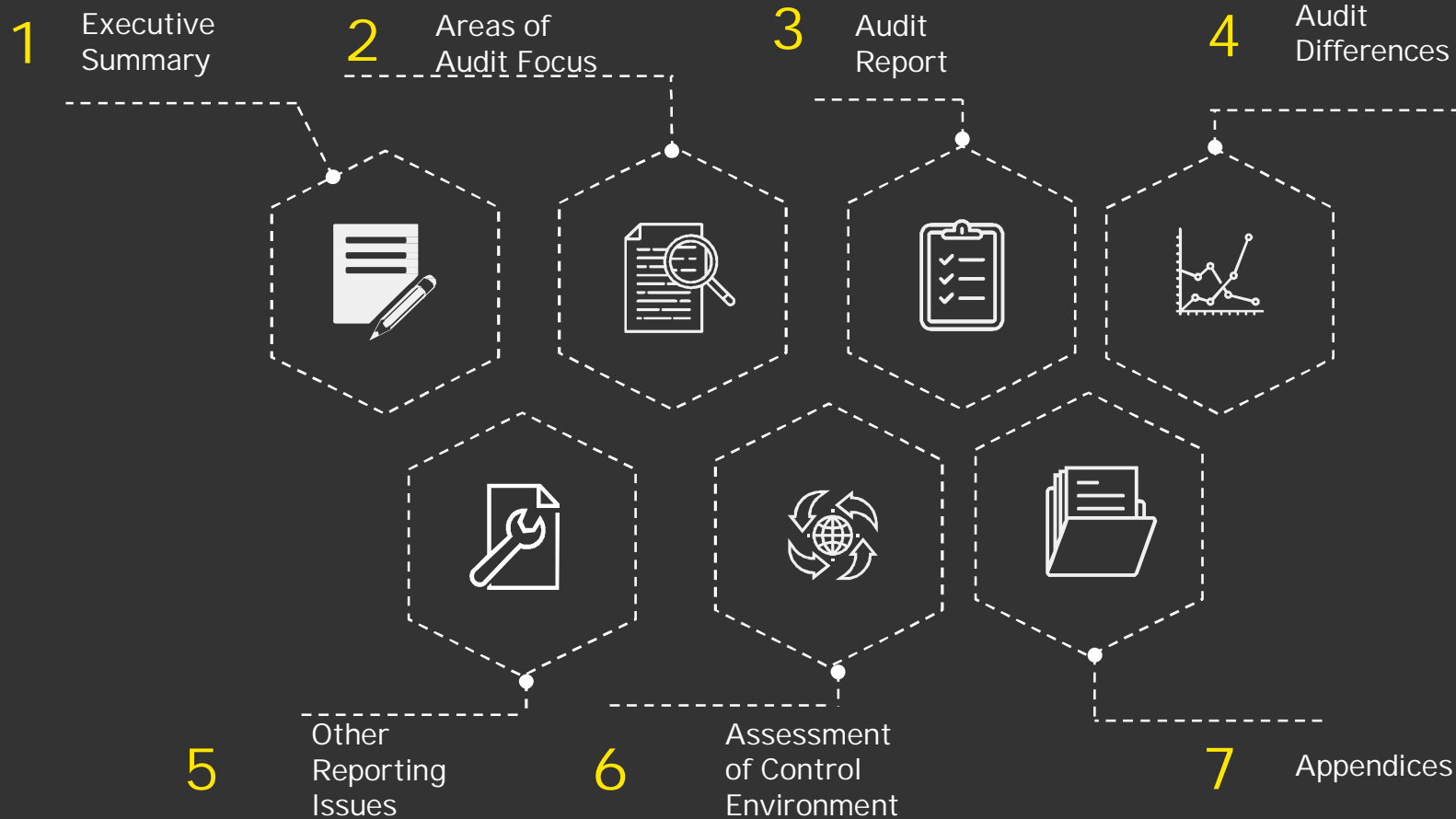
Yours faithfully

Richard Page
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

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 (updated September 2015)" 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, other members of the Fund and management of Staffordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Fund and management of Staffordshire 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, other members of the Fund and management of Staffordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the 13 March 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £37.5 million based on prior year financial statements with a threshold for reporting audit differences of £1.8 million. The basis of our assessment of materiality has remained consistent with prior years at 1% of Net Assets. We have retained the planning materiality for our audit at year end.

Status of the audit

We have substantially completed our audit of Staffordshire Pension Fund's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Fund's financial statements in the form which appears in section 3. However until work is complete, further amendments may arise:

- Review of the final version of the financial statements and annual report, checking the financial statements and annual report and approval of the accounts by the Audit Committee
- Completion of subsequent events review to the date of signing the audit report
- Final review procedures
- Receipt of the signed management representation letter

Audit differences

There are no unadjusted audit differences arising from our audit.
We identified six audit differences over our reporting limit which have been adjusted by management.
More detail is provided in Section; 4 Audit Differences.



Executive Summary

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Staffordshire Pension Fund's financial statements. This report sets out our observations and conclusions from our work performed. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Other areas of audit focus

We are in the process of completing our review of the consistency of the information published in the Pension Funds annual report with the information published in the financial statements of Staffordshire County Council. We will update the Audit Committee on the conclusion of this review when completed.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not specifically tested the operation of any controls.

During the audit we identified a small number of control observations and improvement recommendations for management's financial processes and controls. These are detailed in section 6.

Independence

Please refer to Appendix B for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Significant risk

Management override

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 the Fund's normal course of business

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

1. Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of the journals posted to the Fund's general ledger during the year, which totalled 13,339 journals. We reviewed the journals for:
 - ▶ Journals that do not net to zero as this is indicative of error.
 - ▶ Journals with unusual pairings.
 - ▶ Journals that were manual and have been posted in the revenue accounts.
 - ▶ Preparer ID: Reviewed journals by preparer to establish whether these appear reasonable and within expectations.
 - ▶ Year End: Analysis of significant journals raised at year-end, focusing on journals posted immediately before the ledger is closed.
 - ▶ Unusual Dates: Testing journals posted at weekends and on public holidays to identify unusual activity.
 - ▶ Phrases: We have investigated specific phrases which may be indicative of 'management override.'
2. We performed substantive procedures to gain assurance on the valuation of hard to value investments by obtaining confirmations from the Fund Managers. Over and above this we have also reviewed the Control Reports for the Fund Managers to identify if there were any weaknesses in their processes.
3. We also reviewed accounting estimates used for evidence of management bias.
4. We evaluated the business rationale for any significant unusual transactions. No such transactions were identified.



Areas of Audit Focus

Audit issues and approach: Other risks

Valuation of complex investments (Unquoted investments)

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Fund's financial position.

What is the risk?

The Fund's investments include unquoted investment vehicles and direct property investments.

Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

What did we do?

- We reviewed the basis of valuation for property, private equity and debt funds and other hedge fund investments and assessed the appropriateness of the valuation methods used;
 - ▶ Direct Private Equity, Hedge Funds and Private Debt investments are based on the NAV statements, adjusted for distributions and FX translations at the year end.
 - ▶ Limited Partnership Property- ASHFORD Investments is based on the fair value of the underlying properties at the date of the year end less fair value of the debt.
 - ▶ We have also engaged our valuation team (EY Real Estate Team) to provide assurances on the valuations of direct property held as investment properties.
- We reviewed the latest available accounts for the funds and also obtained audited accounts for all underlying investment vehicles and ensured there are no matters arising that highlight weaknesses in the funds valuation;
- We performed tests of valuation such as reviewing transactions (purchases and sales or calls and distributions) around the year end, performing 'look through' testing or obtaining latest available audited accounts and fund statements and auditing any subsequent cash movements between the date of the audited accounts and the Fund's year end; and testing of trading and movements in year.



03

Audit Report



Audit Report

Draft audit report on the Financial Statements

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORDSHIRE COUNTY COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2017 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 26. 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 2016/17.

This report is made solely to the members of Staffordshire County Council 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 authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources' set out on page 12, the Director of Finance and Resources 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for 2016/2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Audit Report

Draft audit report on the Financial Statements (continued)

Our opinion on the financial statements (cont'd)

Opinion on financial statements

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 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for 2016/2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Richard Page

for and on behalf of Ernst & Young LLP

The Paragon

Counterslip

BS1 6BX

Bristol

XX September 2017



Audit Report

Draft audit report on the consistency of the Pension Fund financial statements with the full annual statement of accounts

Audit report on the consistency of the Pension Fund financial statements with the full annual statement of accounts

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF STAFFORDSHIRE PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2017, which comprise the Fund Account, the Net Assets Statement and the related notes.

Respective responsibilities of the Director of Finance and Resources and the auditor

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities, the Director of Finance and 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 Staffordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only The Chair's and Directors' Statements, the Statutory Information, the Management Reports, the Statistical Information and Risk Management and the Appendices.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Staffordshire County Council for the year ended 31 March 2017 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts XX September 2017 and the date of this statement.

Richard Page
for and on behalf of Ernst & Young LLP
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BS1 6BX
Bristol

XX/XX/2017



04

Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and 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 have included all known amounts greater than £1.8 million in our summary of misstatements below. We highlight the following misstatements in the financial statements or disclosures identified during the audit. These have been corrected by management:

Account balance/disclosure	Finding
Note 10	Disclosure note on private debt commitments under note 10 was initially incomplete due to some omitted balances. The balance disclosed by the Fund is £112m rather than £139m resulting in a £27.2m understatement.
Note 23& 25a Classification of financial instruments	<p>The Fund had classified amounts receivable from sale of investments (£5.6m) and outstanding dividends income (£9.1m) as fair value through profit or loss violating IAS 39 principles which state that receivables should be measured at amortised costs and should be classified as loans and receivables. The receivable balance which has been wrongly classified is £14.7m.</p> <p>In the same fashion, amounts payable for purchases of investments (£8.3m) should not be classed as fair values but amortised costs. This has been flagged to management and adjustments were made.</p>
Note 25a- Fair value hierarchy	<p>Management had included the following balances within the note whereas they are not fairly valued therefore needed to be removed:</p> <ul style="list-style-type: none">▶ Loans and receivables balance (£14.7m) comprise of cash and cash equivalents and debtors and these are measured at amortised costs and they should not have formed part of the fair value hierarchy note.▶ Financial liabilities at amortised cost (£8.3m) include amounts due to other parties and hence these are measured at amortised costs and should not form part of the fair value hierarchy note.
Note 25b	In accordance with disclosure guidance for LGPS, direct property should form part of the reconciliation of fair value note for level 3 investments. Management originally omitted this disclosure for direct property worth £340.7m.
Fund Account and Note 10a	Updated balances for private equity and debt investments: Included in the draft accounts were private equity and debt balances amounting to £144.3 and £73m respectively. In the course of the audit, updated balances were provided by Fund managers, leading to an increase of £1.8m on private equity and £1.6m on private debt.
Net asset statement, Note 12& 13	<p>Management did not provide a split of:</p> <ul style="list-style-type: none">▶ current assets from long term assets- deferred debtor (£3.01 million), and▶ current liabilities from long term liabilities- deferred liability (£0.100 million).



05

Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Report

We must give an opinion on the consistency of the financial and non-financial information in the Funds Annual Report with the audited financial statements. We are in the process of completing this work, and will update the Audit Committee upon completion of this work.

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 Fund 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.

We also have a duty to make written recommendations to the Fund, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



Other reporting issues

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 Fund'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;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report other than those included elsewhere in this report.



06

Assessment of Control Environment



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 specifically tested the operation of any 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.

We have however identified the following control and process related matters and recommendations. These matters are limited to those deficiencies identified during the audit and important enough for us to report to you.

Area	New pension payments
Observation	<p>Three out of five items sampled were paid outside the expected 10 days turnaround as set out in the service level agreement (17, 19 and 21 days). We extended our sample by a further 5 cases and did not find any additional late payments from the extended sample.</p> <p>Management should ensure that the turnaround for processing and payment of new pension payments in is line with the agreed SLA, to minimise the risk of future financial penalties.</p>
Management Comment	<p>Staffordshire Pension Services recognise that there are currently performance compliance issues resulting from large increases in workload volumes. This has been caused by large scale structural changes within scheme employers, combined with additional regulatory overheads. Unfortunately the process of introducing resources and technology has not fully matched the additional workloads.</p> <p>Staffordshire Pension Services have made changes to staffing, through internal promotions, training and recruitment. In addition we are introducing "i-Connect" which provides a direct link with employer payrolls to ensure our records are fully up to date, as this will improve benefit processing times. We are also considering engaging a 3rd party administration provider to process some existing backlogs.</p>



Assessment of Control Environment

Area	Lump sum authorisation
Observation	<p>Testing of lump sum payments identified one case where the authorisation limits were not adhered to. Payments over £50,000 require authorisation by at least one grade 9 per £50,000 multiple. The payment was for £63,000 and was authorised by one person under grade 9.</p> <p>The Fund must ensure that it adheres to the procedure in place to ensure that lump sum payments are appropriately authorised.</p>
Management Comment	<p>The scheme of delegation was not followed in this case, however the reason payment was released by a person below the appropriate level was due to the urgency of the case and the non-availability of an authoriser at the correct level.</p> <p>The section is currently reviewing the scheme of delegation to ensure that we always have adequate authorisation cover and this situation cannot re-occur.</p> <p>The member of staff that released the payment in this case is highly experienced and long serving, and under the new scheme of delegation is likely to be given authority to release payments of this amount.</p>

Area	Review of SOC 1 reports
Observation	<p>The pension fund is supplied with the control reports for their Level 3 investments. The Fund do not carry out an independent review of these reports, relying upon investment managers and other engaged service organisations to consider the conclusions and assurances in the reports SOC 1 reports</p> <p>We would recommend that the Fund carry out a periodic rolling review considering the results, conclusions and recommendations of the controls review to enable them to consider any impact to the accuracy of the estimate of the valuation at year end to enable early identification and remediation should weaknesses in controls be identified.</p>
Management Comment	<p>The Fund periodically reviews all SOC 1 reports for investment managers but due to resource constraints this exercise has not been carried out since 2014. We plan to undertake this review in 2017/18, including for investment managers of Level 3 investments where SOC 1 reports are available.</p>



Assessment of Control Environment

Assessment of control environment (continued)

Area	Challenge of estimates
Observation	The Fund's management fully rely on the Investment Managers to determine values for Level 3 assets. We would recommend that it is good practice for the Fund to carry out an independent consideration of the valuation estimate, and provide challenge to the Investment Managers where appropriate, given the high level of estimation used in determining these material valuations.
Management Comment	Carrying out an independent review of valuation estimates and providing challenge would not be easy due to the complexity of these investments (hence Level 3 in the hierarchy) and also the volume and diversity of managers the Fund has relationships with. As staff at the Fund do not necessarily have all the technical expertise to challenge Level 3 investments valuations, the Fund will look for managers of Level 3 investments to answer the due diligence questions contained within the ' PRAG Guidance on Investment Valuations' document (located on the internet here). This would give the Fund an extra layer of assurance on the valuation of Level 3 assets.

A close-up photograph of a person's hand sorting through a filing cabinet. The hand is reaching into a drawer filled with numerous manila-colored folders, each containing stacks of papers. The background shows the metal shelves of the cabinet.





07 Appendices



Appendix A





Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		 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.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	13 March 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the 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 	25 September 2017 Audit Results Report
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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Staffordshire Pension Fund's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	25 September 2017 Audit Results Report



Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the audit committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Fund ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Fund's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the audit committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	25 September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	13 March 2017 Audit Plan 25 September 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	13 March 2017 Audit Plan 25 September 2017 Audit Results Report



Independence



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated 13 March 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 Month 2017.

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2016/17 (£)	Scale Fee 2016/17 (£)	Variation comments
Total Audit Fee – Code work	28,637	28,637	None

Our actual fee in in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We are proposing an extra fee of £5,500 to take into account the additional work required to respond to IAS19 assurances from scheduled bodies. We have received and responded to 14 requests in 2016/17. This additional fee is subject to approval by the PSAA.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.



Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
xx September 2017

Ernst & Young LLP
The Paragon
Counterslip
BS1 6BX
Bristol

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Staffordshire County Council Pension Fund ("the Fund") for the year ended 31 March 2017. 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 year ended 31 March 2017 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland) 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 2016/17
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 financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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.



Management representation letter (continued)

Management Rep Letter

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 2016/17 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Fund.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
2. 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.
3. 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. We have drawn to your attention all correspondence and notes of meetings with regulators.

D. 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; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the Pensions Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.



Management representation letter (continued)

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Pension Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

E. 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.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm we have no guarantees to third parties.

F. Subsequent Events

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

G. Other information

1. We acknowledge our responsibility for the preparation of the other information included in the Pension Fund financial statements
2. We confirm that the content contained within the other information is consistent with the financial statements of Staffordshire County Council.

G. Derivative Financial Instruments

1. We confirm the Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.
2. We confirm that all investments in derivative financial instruments have been made after due consideration by the Pension Fund Committee of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in scheme risk, facilitate efficient portfolio management, and that any such investment has been made so as to avoid excessive risk exposure to a single counterparty and to other derivative operations. The Pension Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.



Management representation letter (continued)

Management Rep Letter

3. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the Fund at the year end and the terms and conditions relating thereto.
4. We have 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.

H. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2017 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.

I. Purchase and Sales Commitments and Sales Terms

1. At the year end, the Fund had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Fund.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the investment property values 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.

K. Estimates

Level 3 Investment Valuation Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of International Financial Reporting Standards.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimate and disclosures.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with International Financial Reporting Standards.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.



Appendix C

Management representation letter (continued)

Management Rep Letter

L. Investment Managers' Control Reports ISAE 3402

1. The latest reports available do not for all fund managers cover the whole of the 2016/17 audit year, or we have obtained bridging letters to cover the period to 31 March 2017. We can confirm that we are not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours faithfully,

Director of Finance and Resources

I confirm that this letter has been discussed and agreed at the Audit Committee on 25 September 2017

Chair of Audit Committee

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