

# Pensions Committee Meeting

Wednesday, 21 June 2017

Dear Councillor

## **PENSIONS COMMITTEE - WEDNESDAY, 21ST JUNE, 2017**

I am now able to enclose, for consideration at next Wednesday, 21st June, 2017 meeting of the Pensions Committee, the appendix '**West Midlands Integrated Transport Authority Audit Findings Report 2016/17**' relating to the following report that was unavailable when the agenda was printed.

### **Agenda No Item**

11      **Annual Report and Accounts 2016/17 (Pages 3 - 26)**

[To approve the draft annual report and to receive information on the outturn against operating budgets and performance against key performance indicators for the year]

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# The Audit Findings for the West Midlands ITA Pension Fund

**Year ended 31 March 2017**

June 2017

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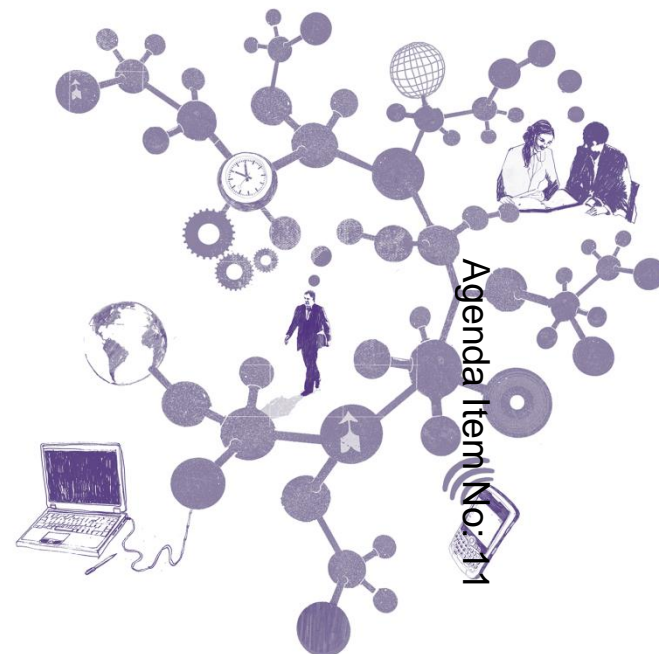
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Agenda Item No: 11

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June 2017

Dear Members

**Audit Findings for West Midlands ITA Pension Fund for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of the West Midlands ITA Pension Fund, for the ITA Pension Fund this is the West Midlands Combined Authority but we have determined that the Audit, Risk and Assurance and West Midlands Pension Fund Committees are the sub-groups with whom we shall communicate throughout the year and ensure the Authority sees our Audit Plan and Audit Findings Report), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

**Grant Patterson**

**Chartered Accountants**

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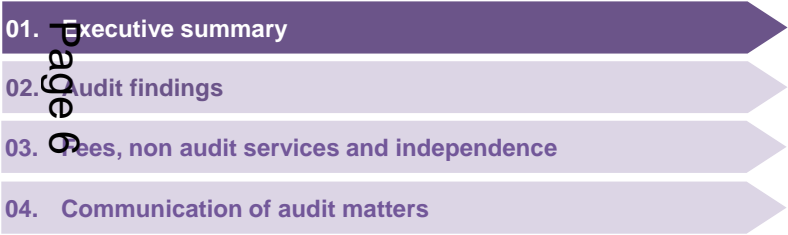
- 1. Executive summary
- 2. Audit findings
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- 4. Communication of audit matters ]

**Appendices**

- A Action plan
- B Audit opinion

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# Section 1: Executive summary



01.	Executive summary
02.	Audit findings
03.	Fees, non audit services and independence
04.	Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of the West Midlands ITA Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

## Introduction

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt and review of the latest service auditor report for the Fund Manager Baillie Gifford and a few other sundry items,
- obtaining and reviewing the final management letter of representation,
- review of the final version of the financial statements and annual report, and
- updating our post balance sheet events review, to the date of signing the opinion.

## Key audit and financial reporting issues

### Financial statements opinion

We have identified no adjustments affecting the Fund's reported financial position. We have recommended some adjustments to improve the presentation of the financial statements.

We have independently estimated the value of the insurance buy-in to be £255,586,000 compared to your actuarial valuation of £255,022,000. The valuation of this estimate is complex and the difference is within 0.2% of the actuary's result and within the expected range we set. From this we have concluded that the valuation is reasonable and not materially misstated.

The other key messages arising from our audit of the Fund's financial statements are:

- We have no unadjusted misstatements to report,
- The draft accounts were presented for audit in accordance with the agreed timetable and were of a good quality,
- Our work at year end demonstrated that access to documents and the quality of working papers was of a high standard.

Further details are set out in section two of this report.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix A).

## Controls

### Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

### Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

## The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Director of Finance.

## Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
June 2017



# Section 2:    Audit findings

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01.	Executive summary
02.	Audit findings
03.	Fees, non audit services and independence
04.	Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £4,759k (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality level upwards to reflect an increase in the value of assets as at 31 March 2017. Materiality is now £5,029,000 (still 1% of net assets)

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £251,450. This has increased slightly upwards from that reported in our audit plan which was £230,450.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Benefits payable and Contribution income	Transactions with members are a key audit area and a focus of users of the financial statements.	0.5% of net assets (£2,514,000)
Management expenses	Due to public interest in these disclosures.	5% of management expenses (£32.3k)
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	We have set a materiality level of £20k to inform our audit approach and our reporting to the pension fund. We recognise that in compiling the disclosure, the pension fund will apply its own assessment of materiality and (as required by IAS24) also have regard to materiality from the perspective of the other party.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<b>The revenue cycle includes fraudulent transactions</b> Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including the City of Wolverhampton Council as the administering body, mean that all forms of fraud are seen as unacceptable.</li> </ul>	Our audit work has not identified any issues in respect of revenue recognition.
<b>Management over-ride of controls</b> Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> <li>• review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions.</li> <li>• review of entity controls</li> </ul>	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.
<b>Level 3 Investments Valuation is incorrect</b>	The Prudential buy-in is the only material, directly held, 'hard to value' investment held by WM ITA Pension Fund and this will be valued by the Fund's actuary (Barnett Waddingham). We gained assurance over this by: <ul style="list-style-type: none"> <li>• reviewing the basis of the valuation and assumptions made;</li> <li>• using our own experts, Grant Thornton's in-house valuation team, to review the assumptions and calculations and to provide assurance that the valuation is reasonable – this work covered the nature and the basis of the estimated values</li> </ul>	We have independently estimated the value of the insurance buy-in to be £255,586,000 compared to your actuarial valuation of £255,022,000. The valuation of this estimate is complex and is within 0.2% of the actuary's result and within our expected range. From this we have concluded that the valuation is reasonable and not materially misstated

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investment Income</b>	Investment activity not valid.  Investment income not accurate. (Accuracy)	The only material investment income comes from the Prudential Insurance Buy-In arrangement to cover benefits underwritten. We obtained a breakdown of the income received, agreed this to source documentation and that the receipt have been received as expected.	Our audit work has not identified any significant issues.
<b>Investment purchases and sales</b>	Investment activity not valid.  Investment valuation not correct	<ul style="list-style-type: none"> <li>We reviewed the reconciliation of information provided by the fund managers and the Pension Fund 's own records and seek explanations for variances.</li> <li>Tested a sample of purchase and sales to ensure they are appropriate</li> </ul>	Our audit work has not identified any significant issues.
<b>Investment values – Level 2 investments</b>	Valuation is incorrect. (Valuation net)	<ul style="list-style-type: none"> <li>We reviewed the reconciliation of information provided by the fund managers and the Pension Fund 's own records and seek explanations for variances.</li> <li>Tested a sample of level 2 investments to independent information from investment managers on units and on unit prices.</li> </ul>	Our audit work has not identified any significant issues.
<b>Member Data</b>	Member data not correct. (Rights and Obligations)	<ul style="list-style-type: none"> <li>Complete walkthrough tests in relation to the rights and obligations assertion which we consider to present a risk of material misstatement to the financial statements.</li> <li>We relied on controls testing over annual/monthly reconciliations and verifications with individual members completed in prior year by confirming there have been no changes in the controls and processes for the system</li> <li>Sample tested of changes to member data made during the year to source documentation</li> </ul>	Our audit work has not identified any significant issues.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

# Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Contributions</b>	Recorded contributions not correct. (Occurrence)	<ul style="list-style-type: none"> <li>Completed walkthrough tests in relation to the occurrence assertion which we consider to present a risk of material misstatement to the financial statements.</li> <li>We relied on controls testing over occurrence, completeness and accuracy of contributions completed in prior year by confirming there have been no changes in the controls and processes for the system</li> <li>Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues.
<b>Benefits payable</b>	Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)	<ul style="list-style-type: none"> <li>Completed walkthrough tests in relation to completeness, accuracy and occurrence assertions which we consider to present a risk of material misstatement to the financial statements.</li> <li>We relied on controls testing over occurrence, completeness and accuracy of benefit payments completed in prior year by confirming there have been no changes in the controls and processes for the system</li> <li>Tested a sample of individual pensions in payment by reference to member files.</li> <li>We rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues.

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## Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).




We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.

# Accounting policies, estimates and judgements




In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<div>a) Contribution Income<ul style="list-style-type: none"><li>Normal contributions are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary</li><li>Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises.</li><li>Employer deficit funding contributions are accounted for on the due dates on which they are payable as set by the scheme actuary or on receipt.</li></ul>b) Investment Income<ul style="list-style-type: none"><li>Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.</li><li>Benefits underwritten – The annuity purchased is treated as an investment with income recognised on an accruals basis.</li></ul></div>	<ul style="list-style-type: none"><li>The revenue recognition policies are appropriate for the accounting framework used by the Pension Fund.</li><li>The accounting policy choices have been complied with in the preparation of the accounts.</li><li>We have no concerns in relation to the adequacy of the disclosure of accounting policies in place</li></ul>	<div> (Green)</div>




## Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates</b>  <div>Page 15</div>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:               <ul style="list-style-type: none"> <li>Pension fund liability relating to the discount rate, salary projected increases, changes in retirement ages, mortality rates and expected returns assets, and</li> <li>Bulk annuity insurance buy-in discount rate underlying the asset valuation based on gilt yield</li> </ul> </li> </ul>	<p>The results from our review and testing of the valuation of investments is covered on page 9 of this report above. The fair value of the insurance buy-in has been reviewed and is considered a reasonable estimate.</p> <p>The pension liability is based on your actuary's Barnett Waddingham valuation. We have been provided with assurance that Barnett Waddingham can be relied upon for the purpose of valuing the liability and have reviewed the assumptions. The Pension Fund has reflected the valuation as given to them by the Actuary in their accounts. The accounts have disclosed the nature of the valuation and the fact that the estimate is subject to significant variances based on changes to the underlying assumptions</p> <p>The bulk annuity insurance buy-in is ultimately derived by the actuary's valuation. We have had our own valuation experts review the information and assumptions used by the actuary and based on this work consider the estimates and judgements used to be reasonable.</p>	 <b>(Green)</b>
<b>Other accounting policies</b>	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 <b>(Green)</b>
<b>Going concern</b>	The Director of Finance has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Fund's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 <b>(Green)</b>

## Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Fund, which is included with papers.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to your bank and fund managers. This permission was granted and the requests were sent. These requests were returned with positive confirmation.....</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1<sup>st</sup> December 2017 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.</li> </ul>



# Internal controls

There are no significant internal control weaknesses to report

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"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

# Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There are no adjusted misstatements we are required to report to you.

# Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. There are no adjusted misstatements we are required to report to you.

# Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Presentation and disclosure	Various	Various	<p>Our review of the accounts highlighted some minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit.</p> <p>Examples include:</p> <ul style="list-style-type: none"><li>• Including details of the life expectancy assumptions used by the actuary in note 4</li><li>• Ensuring the correct debtors balance was used in the financial instruments note (£314k not £302k)</li><li>• Ensuring gross (and not netted-off) figures were used for Legal and General investment switches in note 13 investments.</li></ul> <p>This is in addition to the need to tidy up formatting, spelling and explanation of complex terms used prior to publication.</p>

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## Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Pension fund audit	21,000	21,000
Total audit fees (excluding VAT)	21,000	21,000

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence.
- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund. No non-audit services which were identified.
- No non-audit or audit-related services have been undertaken for the Fund.

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## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

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04. Communication of audit matters

# Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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# Appendices



# A: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report

## INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WEST MIDLANDS INTEGRATED TRANSPORT AUTHORITY PENSION FUND

We have audited the pension fund financial statements of West Midlands Integrated Transport Authority Pension Fund (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's 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 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 auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance 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, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant

accounting estimates made by the Director of Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund 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.

### Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities, and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Grant Patterson  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building, 20 Colmore Circus, Birmingham B4 6AT

July 2017



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