



Appendix B

# Informing the audit risk assessment for West Midlands Pension Fund 2020/21

**Grant B Patterson**  
Director  
T 0121 232 5296  
E [Grant.B.Patterson@uk.gt.com](mailto:Grant.B.Patterson@uk.gt.com)

**David M Rowley**  
Manager  
T 0121 232 5225  
E [David.M.Rowley@uk.gt.com](mailto:David.M.Rowley@uk.gt.com)

**Elliot A Baker**  
Associate  
T 0121 232 5171  
E [Elliot.A.Baker@uk.gt.com](mailto:Elliot.A.Baker@uk.gt.com)



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Midlands Pension Fund's external auditors and the City of Wolverhampton Council's Pensions Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Pensions Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Pensions Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Pensions Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Pensions Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Pensions Committee and supports the Pensions Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Pension Funds's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from West Midlands Pension Fund's management. The Pensions Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>Following the finalisation of the actuarial valuation as at 31 March 2019, a new certificate of future service contribution rates and past service deficit requirements became effective on 1 April 2020. A number of larger employers have chosen to pay their full three year future service and past service deficit contributions in advance as lump sums in April 2020. Consequently the 2020/21 accounts will report significantly higher contributions receivable as compared with 2019/20 and 2018/19.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by West Midlands Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Management has considered the appropriateness of the accounting policies adopted by the Fund and prepared a paper to confirm so for the Pensions Committee meeting in March 2021. There have been no events or transactions arising during the year which are expected to result in the Fund changing an accounting policy or adopting a new accounting policy.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>During 2020/21, the Fund has made use of both Forward Foreign currency and Futures derivative contracts.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>Management is not aware of any significant transaction outside the normal course of business.</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Management is not aware of any such circumstances.
6. Are you aware of any guarantee contracts?	WMPF does not itself act as guarantor for any contracts, however it does have in place contingent assets which exist upon the occurrence of one or more specified future events, at the bequest of the Fund. Examples of these contingent assets include a known guarantor (which agrees to cover all liabilities or a proportion of liabilities), security over other assets (for instance, property or securities), bonds, and Escrow accounts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	There are no loss contingencies existing.
8. Other than in house solicitors, can you provide details of those solicitors utilised by West Midlands Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Legal advisors – Eversheds for employer admissions. Eversheds were appointed under the LGPS Frameworks to carry out this work. Investment matters with Squire Patton Boggs also utilised through the LGPS Framework No outstanding litigations from previous year.
9. Have any of the West Midlands Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No such items have been reported that would lead to an impact on the Fund's financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Fund's appointed advisers are listed in its Annual Report along with a description of the nature of their relationship to the Fund.

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Pensions Committee and management. Management, with the oversight of the Pensions Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Pensions Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West Midlands Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Pensions Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Pensions Committee oversees the above processes. We are also required to make inquiries of both management and the Pensions Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West Midlands Pension Fund's management.



## Fraud risk assessment

Question	Management response
<p>1. Have West Midlands Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Pension Fund's risk management processes link to financial reporting?</p>	<p>The Pension Fund accounts are consolidated into the accounts of City of Wolverhampton Council.</p> <p>Fraud risks are identified by the City's Internal Audit function in their audit plan covering the Pension Fund. All fundamental systems which feed the City's Statement of Accounts including the Pension Fund accounts are reviewed annually to ensure that controls in place are satisfactory.</p> <p>The Statement of Pension Fund Accounts is also subject to an analytical review each year which considers any significant or material changes to figures to confirm that the accounts are presented without such misstatements.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>No areas with a high risk of material fraud have been identified. If any risks are identified, recommendations for mitigation are made to managers who then implement as necessary.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Midlands Pension Fund as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>There have been no such instances.</p> <p>The Fund reports on a quarterly basis its risk management to the Pensions Committee and Local Pensions Board noting movements in risks together with horizon scanning potential future events which could impact service delivery. In addition the Fund's Pensions Committee adopted its investment risk and assurance framework at its March 2020 meeting.</p> <p>On an annual basis the Fund delivers a Risk Management workshop to its governing bodies.</p> <p>Pensions Committee receives a quarterly Governance Assurance report which reports on an exception basis any issues highlighted through the Fund's assurance program. No instances of fraud have been reported this year.</p>

## Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within West Midlands Pension Fund where fraud is more likely to occur?</p>	<p>No areas with a high risk of material fraud have been identified. If any risks are identified, recommendations for mitigation are made to managers who then implement as necessary.</p> <p>The Fund has recently reviewed and enhanced its process for authorising Transfer out and death grant payments to ensure a robust decision making process in the processing of high level payments as well as enhancing delegations to sign off those process within the Operations Teams.</p>
<p>5. What processes do West Midlands Pensions Fund have in place to identify and respond to risks of fraud?</p>	<p>Specific fraud risks are identified in the internal audit planning process noted above; in identifying key controls to be assessed as part of an audit; in targeted fraud prevention work and by raising awareness of the potential for fraud with staff, members and people working and involved with the Pension Fund. This is done through the Council's Anti - Fraud, Bribery and Corruption Policy, Whistle Blowing Policy and supported by bespoke Fund training sessions on cyber crime and data protection. In addition systems and processes are designed by managers and users to minimise the risk of fraud and corruption with controls built into all UPM system processes.</p> <p>In relation to pensioner payroll, the Fund undertakes monthly mortality screening with a third party provider and also participates in the biennial National Fraud Initiative scheme. Any queries identified are investigated and resolved.</p> <p>Investment Managers and their Administrators send internal control reports and these are reviewed by the Fund's Compliance team and any exceptions reported on.</p> <p>Internal Audit also review the internal control reports as part of their annual audit cycle.</p> <p>Pension Committee meetings monitor the Fund's investment managers and business risk including fraud.</p>

## Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for West Midlands Pension Fund, including:</p> <ul style="list-style-type: none"> <li>• the existence of internal controls, including segregation of duties; and</li> <li>• the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The Fund has adopted an internal controls framework and a risk management process in the development of the Fund's Strategic risk register. Copies provided.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No, as detailed above, there are compensatory controls in place to flag any overrides of controls.</p>

## Fraud risk assessment

Question	Management response
<p>8. How do West Midlands Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported?</p>	<p>The Pension Fund follows the Council's Whistle Blowing policy and guidelines. The Whistle Blowing policy is available to the public and all contractors. The terms and conditions within Pension Fund contracts also include ethical considerations for contractors and suppliers. The vision and values for the Pension Fund identify the need for staff to act with integrity in all undertakings and presented to all employees as part of their induction into the Fund.</p> <p>Staff are encouraged to report their concerns about fraud as set out in the speaking up about wrongdoing (Whistle Blowing) policy and the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.</p> <p>Management are not aware of any significant issues being reported.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are identified as those with access to financial systems and with responsibility for authorising payments. A staff structure chart can be provided on request.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None identified.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Pensions Committee? How does the Pensions Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>The Internal Audit Risk Based Plan is approved by the Audit Committee of City of Wolverhampton Council and the Pensions Committee in relation to pensions issues before commencement each year.</p> <p>Internal Audit complete a robust review of internal controls on a risk basis and reports regularly to the Audit Committee.</p> <p>The Pensions Committee are informed of the audit opinions and seek management reassurance on the improvement of controls where the consequences are considered high risk. At each meeting, the Audit Committee receive an update on instances of actual, suspected or alleged fraud investigations that have occurred since the last meeting and their outcomes. The Pension Fund members are informed at their meetings of any pension based issues.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Management are not aware of any whistle blowing complaints in relation to the Pension Fund.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No reports have been made under the Bribery Act.</p>

# Law and regulations

## Issue

### **Matters in relation to laws and regulations**

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Pensions Committee, is responsible for ensuring that West Midlands Pension Fund's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Pensions Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West Midlands Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?</p>	<p>The Pension Fund has a Head of Governance and Head of Finance who provide assurance that all relevant laws and regulations have been complied with.</p> <p>The Director of Pensions at the West Midlands Pension Fund provides expertise and advice for Pension Fund requirements.</p> <p>The Pension Fund is obliged to follow the Local Government Pensions Scheme Regulations.</p> <p>The Pensions Committee receive reports of compliance from officers, who are suitably qualified. Any non compliance would be reported to management via Internal Audit reports and appropriate plans are put in place to remedy such issues. These would cover the pension fund as applicable.</p> <p>Each year the Pensions Fund's corporate governance arrangements and risk management arrangements are reviewed and reported upon by Internal Audit and Risk Management teams. The Pension Fund has a robust corporate governance and risk management process in place which is based on approved policies and procedures.</p>
<p>2. How is the Pensions Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Pensions Committee receive reports of compliance from officers who are suitably qualified. Any non compliance would be reported to management and the Pensions Committee via Internal Audit reports.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>There have been no instances of non-compliance with laws and regulations since 1 April 2020 with an ongoing impact on the 2020/21 financial statements.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>The Head of Finance is not aware of any actual or potential litigation or claims that would affect the financial statements.</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does West Midlands Pension Fund have in place to identify, evaluate and account for litigation or claims?	Risk management, insurance and legal work together to identify and evaluate any potential litigation or claims against the Pensions Fund. Any potential liabilities would be highlighted each year in the Pensions Fund's Statement of Accounts and accounted for in accordance with accounting standards.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Management is not aware of any such reports of non-compliance.



# Related Parties

## Issue

### Matters in relation to Related Parties

West Midlands Pension Fund are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by West Midlands Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any entity that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in West Midlands Pension Fund's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and West Midlands Pension Fund</li> <li>• whether West Midlands Pension Fund has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>There have been no changes in the related parties disclosed in the 2019/20 financial statements.</p>
<p>2. What controls does West Midlands Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Fund keeps a register of all Pension Committee and Pension Board member interests which it is required to publish on its website. The Fund has a compliance manual which outlines specific roles required to disclose personal interests covering senior managers and those in the investments and finance team.</p> <p>The Fund has a personal dealing policy for managing individual staff members' own investment interests to ensure there is no conflict with Fund investment strategy.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Transactions with related parties are conducted at 'arms length' and are subject to the same controls for authorisation and approval as non related party transactions.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All transactions are in the normal course of business.</p>

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Private Equity and Infrastructure investment holdings are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Direct property is valued at fair value by external independent property valuation experts.</p>
<p>2. How does the Pension Fund's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>Having identified a reasonably possible range of outcomes for methods and assumptions employed, sensitivity analysis is prepared (either provided by the external expert or calculated within the Fund itself) to help inform management's view of the point estimates.</p>
<p>3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>In the case of material estimates where valuation cannot be based on unambiguous observable market data alone and requires various valuation techniques relying on the application of significant specialised knowledge and judgement, management recognises the need to procure professional expertise.</p> <p>The relevant professionals advise management who will seek to understand the different options in terms of assumptions and methods available to the experts before agreeing the option that is deemed most appropriate for the circumstances and the source data that will be required.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>When the actual year end external valuations of Private Equity and Infrastructure investment holdings are received, management compares them to the respective historical valuation estimates. Variances are analysed and queried with a view to improving the estimation process.</p>
<p>5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?</p>	<p>No changes have been made to estimation processes during 2020/21.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>In the case of material estimates where valuation cannot be based on unambiguous observable market data alone and requires various valuation techniques relying on the application of significant specialised knowledge and judgement, management recognises the need to procure professional expertise. An actuary advises on the defined benefit liability estimate, a property valuer prepares the quarter end direct property valuation and independent investment consultants review the reasonableness of level 3 asset valuations.</p>
<p>7. How does the Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>In the case of material estimates where valuation cannot be based on unambiguous observable market data alone and requires various valuation techniques relying on the application of significant specialised knowledge and judgement, management employs the services of relevant professional experts to prepare estimates.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>The Fund undertakes annual assurance confirmation of the controls environment for its fund managers requiring the submission of their Internal Control Reports (AAF/ISAE/SOC1). For those managers who do not undertake such a review they are requested to complete a Pension Fund Compliance Monitoring Form. Exceptions are noted from these documents with material exceptions being investigated further and reported through to the Assistant Directors of Investments.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The significant accounting estimates are the defined benefit liability valuation, the year end value placed on the insurance buy-in contract, the valuation of direct property holdings portfolio and the valuation of the Fund's other level 3 assets (private equity and infrastructure holdings).</p> <p>Management recognises the need for specialised skills and judgement in developing these estimates and procures the relevant professional expertise. Management understands and then agrees the assumptions and methods to be used by the experts in support of their calculations.</p> <p>Having identified a reasonably possible range of outcomes for methods and assumptions employed, sensitivity analysis is prepared (either provided by the external expert or calculated within the Fund itself) to help inform management's view of the point estimates.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Management is not aware of any such transactions, events or conditions.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Management considers the arrangements as reasonable.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Pensions Committee are assured via the annual external audit of the Pension Fund Statement of Accounts which is prepared using the arrangement for accounting estimates where appropriate.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund Liability	The administering authority engage the Actuary who provides the estimate of the pension liability.	Payroll data is provided to the Actuary.  Management reconcile this estimate of contributions to the actuals paid out in the year.	Consulting actuary	As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	No
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	December valuation is received and cash flow adjustments are used to roll forward the valuation to 31 March as appropriate. Valuation is then compared to the year end capital statement to determine any significant fluctuations.	Custodian and Fund Manager Capital Statement		No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance team collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Review financial systems to identified where goods have been received but not paid for. Requests of service managers to identify any other goods or services received or provided but not paid for.	No	Accruals for income and expenditure often based on known values. Where accruals are estimated the latest available information is used.	No
Contributions	If March values will not be readily available at the time of compiling the accounts then there maybe a degree of estimation involved in calculating month 12 contributions. Finance team would then estimate the month 12 contributions based on actual figures to the end of March 2021.	Management reconcile this estimate of contributions to the actuals received for month 12.	No	Monthly contributions are usually based on known values. Where month 12 figures are estimated the latest available information is used.	No



## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations	<p>Property is valued at fair value by property valuations experts.</p> <p>If March values will not be readily available at the time of compiling the accounts then there maybe a degree of estimation involved in the valuation.</p>	<p>December valuation is received and cash flow adjustments are used to roll forward the valuation to 31 March as appropriate.</p> <p>Valuation is then compared to the year end valuation to determine any significant fluctuations.</p>	Property valuer		No
Provisions for liabilities	<p>Accruals are made in the year end financial statements but there have been no provisions for liabilities this year.</p>				

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non Adjusting events – events after the balance sheet date	Reasonable estimates will be used to assess significant post balance sheet events unless actual numbers become available between year end and finalisation of the accounts for audit purposes.	Review financial systems to assess whether significant financial transactions or adjustments to valuations have taken place post the year end.	No		No



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