



The Audit Findings for West Midlands Integrated Transport Authority Pension Fund

Year ended 31 March 2016

13 July 2016

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July 2016

Dear Members of the West Midlands Combined Authority

Audit Findings for West Midlands Integrated Transport Authority Pension Fund for the year ending 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of West Midlands Integrated Transport Authority Pension Fund, from 17 June 2016 the West Midlands Combined Authority), 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 management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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 the West Midlands Pension Fund finance team during our audit.

Yours sincerely

Grant Patterson
Engagement lead

Chartered Accountants
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Section 1: Executive summary

01. Executive summary

02. Audit findings

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04. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of West Midlands Integrated Transport Authority Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 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 and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Pension Fund Annual Report.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to the West Midlands Pension Fund Committee in our Audit Plan dated 22 June 2016 and confirmed with the West Midlands Combined Authority on 22 July 2016.

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

- completion of the final specialist partner review
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

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

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

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

- The financial statements for the year ended 31 March 2016 recorded net assets available for benefits during the year of £460,864,000. We have identified no adjustments affecting the Fund's reported financial position.
- We have independently estimated the value of the insurance buy-in to be £249,372,000 compared to your actuarial valuation of £250,874,000. The valuation of this estimate is complex and the difference is within 1% (or £2.5m) 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.

We identified a small number of minor typographical and disclosure adjustments to improve the presentation of the financial statements. None were of such significance, individually or collectively, that we are required to report them separately to yourselves as Those Charged with Governance. We have provided management with a final accounts memorandum summarising them to assist in the preparation of future years financial statements.

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

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 have been discussed with the Director of Corporate Services, West Midlands Combined Authority (formerly Treasurer to the Integrated Transport Authority).

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
July 2016

Section 2: Audit findings

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 International Standard on Auditing (UK & Ireland) (ISA) 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 £4,759,000 (being 1% of net assets based upon the 2014/15 financial position). We have considered whether this level remained appropriate during the course of the audit. The financial statements presented for audit showed net assets available for benefits at 31 March 2016 of £460,864,000. This would lead to an overall materiality of £4,608,000 (being 1% of net assets). We do not consider the difference between this and our original planning materiality to be significant and have therefore made no changes to our overall materiality.

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 £237,950k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified that Management Expenses and Related Party Transactions were areas where we decided that separate materiality levels were appropriate. Management Expenses and Related party transactions remain the same as reported in our audit plan. In an update to our audit plan we have decided a separate materiality level is appropriate for Normal contributions receivable as explained below.

Balance/transaction/disclosure	Explanation	Materiality level
Management Expenses	In 2015 these totalled £872k and have increased to £917k. Due to public interest in these disclosures, and the statutory requirement for them to be made and the changes to the disclosure guidance in 2015/16 we have completed specific testing to ensure the accuracy of the disclosure.	N/A
Related party transaction	West Midlands Passenger Transport Executive recharges administrative costs incurred to the Fund. The charges for the year ended 31 March 2015 were £33k, increasing to £41k in 2015/16. The Fund has not identified further related party disclosures, as none of the members of the West Midlands Pension Committee, WMCA or employees of the Fund's advisors and officers who hold key positions are members of the Fund. Given the sums and anticipated public interest in these disclosures and the statutory requirement for them to be made we have completed specific testing to ensure the accuracy of the disclosures.	N/A
Normal contributions receivable	Amendment to our Audit Plan – the figure for Employer Normal Contributions within the draft financial statements was £3,057,000. This is below the overall materiality originally planned and therefore it would not normally be subject to detailed audit testing as there would be no reasonable prospect of it being materially misstated. However, the view of the engagement team is that pension fund members and users of the financial statements might reasonably have expected auditors to have carried out testing on the contributions figure in the accounts. Materiality for these contributions has therefore been set at 0.5% of the net assets figure within the draft financial statements to reflect the sensitivity of this disclosure.	£2,304,000

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 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 and we have identified a third in respect of Level 3 investments.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Midlands ITA Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including West Midlands Integrated Transport Authority as the administering authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have performed the following work:</p> <ul style="list-style-type: none"> • review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions 	<p>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 entries has not identified any significant issues.</p>
3.	<p>Level 3 Investments – Valuation is incorrect</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgmental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>The Prudential Buy-in is the only material directly held 'hard to value' investment held by West Midlands IITA Pension Fund. The value provided by the Fund's actuary, Barnett Waddingham. We:</p> <ul style="list-style-type: none"> • reviewed the competence, expertise and objectivity of the actuary as management's expert, and • utilised our own expert in Grant Thornton's valuation team to review the calculation and provide us with an independent estimate of the value of the asset. 	<p>We have independently estimated the value of the insurance buy-in to be £249,372,000 compared to your actuarial valuation of £250,874,000. The valuation of this estimate is complex and the difference is within 1% (or £2.5m) 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.</p>

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
Investment Income	Investment activity not valid. (Occurrence) Investment income not accurate. (Accuracy)	We have undertaken the following work in relation to this risk: The only material investment income comes from the Prudential Buy-In arrangement to cover benefits underwritten. We have: <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. obtained the breakdown of the income received, agreed this to source documentation and that the receipt has been received as expected. 	Our audit work has not identified any significant issues in relation to the risk identified
Investment purchases and sales	Investment activity not valid. (Occurrence) Investment valuation not correct. (Valuation gross or net)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. We have reviewed the reconciliation of information provided by the fund managers and the Pension Fund's own records and sought explanations for variances. Tested the purchases and sales to ensure they are appropriate. 	Our audit work has not identified any significant issues in relation to the risk identified.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. Tested the Level 2 investments to independent information from fund /investment managers on units and on unit prices. 	Our audit work has not identified any significant issues in relation to the risk identified

Audit findings against other risks (continued)


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct (Occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • We have been able to rely on controls testing over occurrence, completeness and accuracy of contributions, completed in the prior year as no changes were identified in the controls and processes for the contributions system. • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • We have been able to rely on controls testing over, completeness, accuracy and occurrence of benefit payments completed in the prior year as no changes were identified in the controls and processes for the benefit payments system, • Tested a sample of individual pensions in payment by reference to member files. • Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified
Member Data	Member data not correct. (Rights and Obligations)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • We have been able to rely on controls testing over annual/monthly reconciliations and verifications with individual members completed in the prior year as no changes were identified in the controls and processes for capturing member data. • Sample tested changes to member data made during the year to source documentation. 	Our audit work has not identified any significant issues in relation to the risk identified

Significant matters discussed with management

	Significant matter	Commentary
1.	Discussions or correspondence with management regarding accounting practices, the application of auditing standards, or fees for audit or other services.	<ul style="list-style-type: none"> The Prudential Buy-in is the only material directly held 'hard to value' investment held by West Midlands IITA Pension Fund. The value provided by the fund's actuary Barnett Waddingham was reviewed by Grant Thornton's valuation team. This indicates a difference in the opinion on the estimated value of £1.5m, with Grant Thornton's valuation team having a lower overall value. This is within our tolerable error limit and as such does not indicate that the valuation is incorrectly estimated by a material amount. <p>Management response</p> <p>The valuation of the Prudential Buy-in is a complex estimation technique and we note the differing opinions, as the difference is not material we are satisfied that the accounts have a reasonable amount disclosed for this investment.</p>
2.	Those Charged with Governance (TCWG)	<p>On 17 June 2016 the West Midlands ITA was dissolved and its services and functions transferred to the West Midlands Combined Authority (WMCA). We have reviewed our analysis in line with ISA (UK & Ireland) 260 – Communicating with Those Charged with Governance and concluded that at this time, as the governance arrangements for the new body are still being finalised, that the WMCA should be considered TCWG and that the West Midlands Pension Fund Committee a sub-group with whom we would communicate but that ultimately we would report to the WMCA on the outcomes of our audit in 2015/16. This report is therefore addressed to the WMCA and confirmation has been sought from the Chair of the West Midlands Pension Committee that he is comfortable with its content. This report and our original Audit Plan will be reported to the WMCA on 22 July 2016. Management has concurred that the WMCA should be considered TCWG for 2015/16.</p>

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

Assessment




- Marginal: accounting policy which could potentially attract attention from regulators (Red)
- Accounting policy appropriate but scope for improved disclosure (Amber)
- Accounting policy appropriate and disclosures sufficient (Green)

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
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Pension fund liability relating to the discount rate, salary projected increases, changes in retirement ages, mortality rates and expected returns assets, and Bulk annuity insurance buy-in discount rate underlying the asset valuation based on gilt yield 	<p>The results from our review and testing of the valuation of investments is covered on page 10 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>	 (Green)
Going concern	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 (Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. The Fund's accounting policies are appropriate and consistent with previous years.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 (Green)

Assessment

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

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.	Matters in relation to fraud	<ul style="list-style-type: none"> 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.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
4.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Fund.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to Legal & General Investment Management, Baille Gifford and BNY Mellon for investment balances and The Royal Bank of Scotland for bank balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls 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. We considered and walked through the internal controls for Investment Income, Contributions, Benefits Payable, and Member Data as set out on page 11 above.

Any matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

The controls were found to be operating effectively and we have no matters to report to Those Charged with Governance.

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 Disclosure		General	We have issued a final accounts memorandum to management that summarises disclosure, typographical and misclassifications amendments which, individually and collectively, are of a size or nature that we do not believe they need to be brought to your attention as Those Charged with Governance but will assist management in future years in the preparation of the financial statements.
2 Disclosure – 2014/15 Comparative figures	872	Management Expenses (Fund Statement and Note 11)	The area for disclosure of management expenses is evolving with changes to the CIPFA guidance this year. There has been no change to the total level of investment and administrative expenses disclosed in the accounts for 2014/15 at £872k. To aid transparency the ITA PF has amalgamated these onto one line in 2015/16 with an enhanced disclosure in Note 11. We have agreed with management that additional narrative disclosures will be made within Note 11 to explain to readers of the accounts the rationale for the change in disclosure and note the 2014/15 figures as restated.
3 Disclosure	N/A	General	There is currently no Note for Events after the Reporting Date. Given the recent uncertainties in financial markets we have asked management to consider whether there are non-adjusting post balance sheets that might need to be reported, for example "Since 31 March 2016, there have been changes in the financial markets, there would have been an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. These changes are deemed to be non-adjusting post balance sheet events." or "There have been no events since 31 March 2016, and up to the date when these accounts were authorised, which require any adjustments to these accounts."

Section 3: Fees, non-audit services and independence

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We confirm below our final fees charged for the audit

Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	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)

Fees for other services

No non-audit or audited related services have been undertaken for the Pension Fund during 2015/16

Independence and ethics

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 therefore we 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.

Section 4: Communication of audit matters

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Communication to those charged with governance

International Standards on Auditing 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.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, 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.psa.gov.uk/appointments-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/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

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		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	There is currently no Note for Events after the Reporting Date. Given the recent uncertainties in financial markets we have asked management to consider whether there are non-adjusting post balance sheets that might need to be reported, for example "Since 31 March 2016, there have been changes in the financial markets, there would have been an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. These changes are deemed to be non-adjusting post balance sheet events." or "There have been no events since 31 March 2016, and up to the date when these accounts were authorised, which require any adjustments to these accounts."	H	The market position will be considered at the authorisation date and a conclusion drawn upon the appropriate disclosure.	Rachel Teoh and James Aspinall – 22 July

Appendix B: Draft audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS COMBINED AUTHORITY

We have audited the pension fund financial statements of the West Midlands Integrated Transport Authority ("the Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Pension 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 2015/16.

This report is made solely to the members of the West Midlands Combined 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 Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer 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 2015/16, 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 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 Treasurer; 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 2015/16 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 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 is consistent with the audited pension fund financial statements.

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

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xx July 2016



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