

The Audit Findings for the West Midlands Pension Fund

Year ended 31 March 2017

September 2017

John Gregory

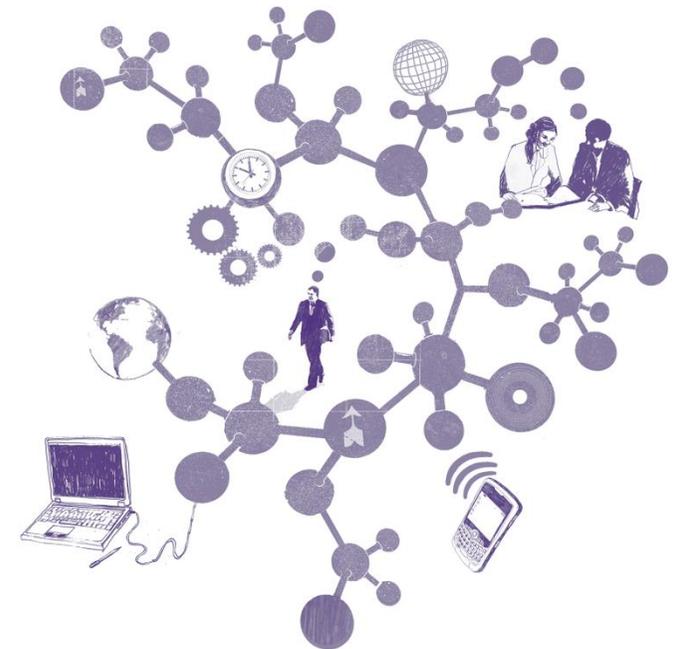
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September 2017

Dear Members

Audit Findings for West Midlands 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 Pension Fund, this is the West Midlands Pension Fund Committee), 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

John Gregory

Chartered Accountants

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Section 1: Executive summary

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Purpose of this report

This report highlights the key issues affecting the results of the West Midlands 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 many of the accompanying working papers at the commencement of our work, in accordance with the agreed timetable. In carrying out our audit, we have only had to alter our audit approach, which we communicated to you in our Audit Plan dated March 2017, in one small area. Instead of using analytical procedures to gain assurance in respect of income for direct property investments, we sample tested the income transactions instead.

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

- obtaining and reviewing the final management letter of representation,
- obtaining and reviewing final fund manager independent service auditor assurance reports on controls
- review of the final version of the financial statements and annual report
- updating our post balance sheet events review, to the date of signing the opinion; and
- responding to any issues from the independent Review Partner.

Key audit and financial reporting issues

Financial statements opinion

The draft accounts were presented for audit in accordance with the agreed timetable and were of a good quality. As a result we have not identified any adjustments affecting the Fund's reported financial position and there are no unadjusted misstatements. We recommended some adjustments to improve the presentation of the financial statements.

The impact of the Accounts and Audit Regulations 2015 mean that the 2017/18 accounts need to be completed and audited by 31 July 2018. This will be very challenging for local authorities and auditors. To achieve this earlier deadline it is vital that good quality working papers supporting the accounts are made available at the commencement of the audit. The Fund did not provide a complete set of working papers at the start of the audit which it would normally expect to be the case. However due to workload, some working papers were still being finalised during the audit. This year there was an improvement in obtaining direct fund manager confirmations following assistance from Pension Fund Officers. However this still took much longer than should be the case and Fund Managers need to be performance managed to ensure this happens.

In addition to the deadline coming forward, there may be significant disruption to Pension Fund staff caused by the commencement of LGPS Central from April 2018. This will need to be very carefully managed to prevent an adverse impact on the closedown and audit process. To enable the Fund to meet the earlier audit deadline, maximisation of the availability of key officers' time will be important in meeting the requirements of the audit. Significant planning and allocation of staff resourcing requirements will be needed to deliver a smooth closedown and audit of the financial statements going forwards. We will continue to work alongside your team to help with this significant change.

Further details on the outcome of this year's audit are set out in section two of this report.

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

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

No significant control weaknesses were identified. Our work did identify a control issue which we wish to draw to your attention in relation to Fund Manager Auditor control reports. 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 your officers.

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
September 2017

Section 2: Audit findings

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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 £87,450,000 (being 0.75% of 2015/16 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 £106,895,000 (0.75% of 2016/17 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 £ 5,433,750, which has increased slightly upwards from that reported in our audit plan in line with change in materiality level.

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
Senior officer remuneration	Due to public interest in these disclosures	£20,000
Management expenses	Due to public interest in these disclosures.	5% of management expenses (£3,550,000)
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.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<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</p>	<p>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:</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 the City of Wolverhampton Council as the administering body, 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>
<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>	<ul style="list-style-type: none"> • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. • review of entity controls 	<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 controls and testing of journal entries has not identified any significant issues. We reported in the 2015/16 Audit Findings Report issued in September 2016 that journals prepared by the Head of Finance are not authorised at the time of posting to the General Ledger. The Fund then responded positively to our recommendation by introducing a sample review of these journals by another staff member.</p>

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Level 3 Investments Valuation is incorrect</p>	<p>We updated our understanding of your process for valuing level 3 investment through discussions with relevant personnel from the Pension Fund during the interim audit .</p> <p>We performed walkthrough tests of the controls identified in the process.</p> <p>Sample tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period.</p> <p>Reviewed the qualifications of a sample of fund managers as experts to value the level 3 investments at year end to gain an understanding of how the valuation of these investments has been reached.</p> <p>Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.</p> <p>Reviewed the competence, expertise and objectivity of management experts.</p>	<p>Our audit work has not identified any significant issues. We concluded the estimates were reasonable. Our testing identified that there was a combined difference greater than our triviality threshold between the estimated level three investment balances in the Pension Fund accounts and the year-end confirmations and audited accounts we received from Fund Managers. We concluded the estimates were reasonable</p>

"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
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	Tested a sample of investment income to ensure it is valid and correctly recorded	Our audit work has not identified any significant issues.
Investment purchases and sales	Investment activity not valid. Investment valuation not correct	Tested a sample of purchases and sales to ensure they are appropriate and correctly recorded	Our audit work has not identified any significant issues.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	Tested a sample of level 2 investments to independent information from investment managers on units and on unit prices	Our audit work has not identified any significant issues.
Member Data	Member data not correct. (Rights and Obligations)	<ul style="list-style-type: none"> Completed walkthrough tests in relation to the rights and obligations assertion which we consider to present a risk of material misstatement to the financial statements. 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 Sample tested changes to member data made during the year to source documentation 	Our audit work has not identified any significant issues.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct. (Occurrence)	<ul style="list-style-type: none"> • Completed walkthrough tests in relation to the occurrence assertion which we consider to present a risk of material misstatement to the financial statements. • 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 • 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 to ensure that any unexpected trends are satisfactorily explained. 	Our audit work has not identified any significant issues.
Benefits payable	Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)	<ul style="list-style-type: none"> • 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. • 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 • Tested a sample of individual pensions in payment by reference to member files. • 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. 	Our audit work has not identified any significant issues.

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
<p>Revenue recognition</p>	<p>a) Contribution Income</p> <ul style="list-style-type: none"> Contributions receivable are accounted for on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Past service deficit contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as current financial asset, which amounts due after the following year classed as long-term financial assets. <p>b) Investment Income</p> <ul style="list-style-type: none"> Interest Income is recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period, where known to be due have been accrued for in the accounts Distribution from Pooled Funds are recognised at the date of issue. Property-Related Income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year 	<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 	<p style="text-align: center;">  (Green) </p>

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
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 Valuation of level 3 investments 	<p>The results from our review and testing of the valuation of investments is covered on page 9 of this report above.</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>	 (Green)
Other accounting policies	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.	 (Green)
Going concern	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.	 (Green)

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.	Matters in relation to fraud	<ul style="list-style-type: none"> 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.
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 standard letter of representation has been requested from the Fund, which is included with papers.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> 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 of holdings and values.
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 give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. No significant issues were found.

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 the previous pages.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1	 (Amber)	<ul style="list-style-type: none"> The Pension Fund has not received ISAE 3402 auditor control reports from all its investment managers. Such reports provide details of the adequacy of operational controls in place at individual fund managers. Whilst this is not a formal legal requirement, the Fund should consider what assurances it has that proper systems of control are in place at those fund managers' who have not supplied a copy of their control report. 	The Fund needs to establish procedures to gain assurance of the adequacy of control arrangements at investment managers where Auditor control reports are not obtained.

The 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.

Assessment

-  Significant deficiency – risk of significant misstatement (Red)
-  Deficiency – risk of inconsequential misstatement (Amber)

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

We are required to provide 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	Our review of the accounts highlighted some fairly 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. Examples include expanding financial instruments notes to add additional information on Fitch and Moody risk ratings

Section 3: Fees, non-audit services and independence

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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	48,618	48,618
Total audit fees (excluding VAT)	48,618	48,618

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.

Section 4: Communication of audit matters

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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.psa.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	✓	✓

Appendices

- A** Action plan
- B** Audit Opinion

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.	Prepare for the successful delivery of the 2017/18 financial statements closedown and audit by the earlier 31 July deadline. Ensuring adequate resources exist in producing the working papers and securing fund manager assurances / returns for the start of the audit will support the Fund in achieving the earlier deadline. Consideration will need to be given to any impact on staff resourcing arising from the establishment of LGPS Central.	High	A closedown plan exists which will incorporate the need to secure completeness of all information from appropriate fund managers. Processes in respect of securing investment manager confirmations have been discussed with the Auditor and will be based upon December 2017 asset classifications to identify managers for testing. Identification of the allocation of resources will be made at an early stage to ensure a timely closedown.	January 2018 Head of Finance
2.	The Fund needs to establish procedures to gain assurance of the adequacy of control arrangements at investment managers where Auditor control reports are not obtained.	Medium	In respect of 2017/18, the Fund will incorporate this into the Closedown plan and will focus efforts to secure the completeness of Auditor reports in readiness for the start of the audit. From 2018/19, LGPS Central will collate the Auditor reports on behalf of the Fund and will assess the adequacy of the control environment in place at the individual fund managers. The information will be supplied to the Fund to conduct a review and assessment of the information provided.	May 2018 Head of Finance

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF WOLVERHAMPTON COUNCIL

We have audited the pension fund financial statements of West Midlands 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.

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

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



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