

# Informing the audit risk assessment for Warwickshire Pension Fund 2023/24

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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.

# Table of Contents

<b>Section</b>	<b>Page</b>
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	26

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Warwickshire Pension Fund's external auditors and Warwickshire Pension Fund's Audit & Standards 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 Audit & Standards Committee under auditing standards.

## Background

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

This two-way communication assists both the auditor and the Audit & Standards 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 Audit & Standards Committee and supports the Audit & Standards 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 Fund's oversight of the following areas:

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

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Warwickshire Pension Fund's management. The Audit & Standards 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 2023/24?</p>	<p>Border to Coast Pension Partnership - the fund has continued to invest further amounts inside and outside of the pool.</p> <p>Continued volatility in investment markets and the higher inflation and interest rate environment.</p> <p>Level 3 valuations – There may be significant movements post balance sheet due to lagged reporting</p> <p>Significant turnover within the pension fund governance and investment team.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire Pension Fund?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes, we consider the accounting policies appropriate.</p> <p>No.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Financial Instruments form part of the Pension Fund's investments. The nature of these are determined by the Fund Managers and Custodian.</p> <p>Fund managers may make use of derivatives to achieve investment objectives. Derivative instruments have been used during the year.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No transactions outside of normal business. Significant transactions have occurred in respect of Fund launches and transitions in respect of Border to Coast Pension Partnership and in respect of achieving strategic asset allocation targets.</p> <p>Potential exit credits from employers leaving the Fund is a new issue.</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? If so, what are they?	The only non-current assets are investments. The value of investments fluctuate by their nature and will be valued at 31st March 2024.
6. Are you aware of any guarantee contracts? If so, please provide further details	Fund Managers may use financial instruments.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Warwickshire Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	As well as in-house legal advice BCPP has had advice from Burness Paull, Squire Patton Boggs, and Burges Salmon. There is no work relating to open litigation or contingencies from prior years.

# General Enquiries of Management

Question	Management response
9. Have any of the Warwickshire 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? If so, please provide further details	Pension Fund Breaches as per the The Pensions Regulator are logged and reported where a material significance is identified.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Hymans Robertson – Fund Actuary and Investment Advisor consulted on investment, funding, and administrative activities.  Independent Financial Advisors to the Pension Fund Investment Subcommittee – Bob Swarup and Anthony Kerr (Camdor Global Advisors) and Anthony Fletcher (Apex Group Ltd).
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	The fund holds its cash balance with Lloyds which is a A+ rated institution. Investments are held by managers who follow their relevant accounting standards and apply these as appropriate.



# Fraud

## 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 Audit & Standards Committee and management. Management, with the oversight of the Audit & Standards 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 Audit & Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Warwickshire 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 Audit & Standards 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 Audit & Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Standards 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 Warwickshire Pension Fund's management

# Fraud risk assessment

Question	Management response
<p>1. Has Warwickshire 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 produces a statement of accounts following accounting policies designed to ensure fair and consistent reporting of the financial position. The Fund utilises the same anti-fraud arrangements as the administrating authority.</p> <p>Internal Audit reviews provide assurance on the internal controls and systems which are used to deliver the accounts</p> <p>The Pension Fund Investment Sub Committee review fund risks quarterly. The fund maintains a risk register which includes specific management actions to mitigate risks.</p> <p>The Fund has an Anti Fraud and Corruption Policy that was approved March 2023.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>A key risk is fund manager fraudulent activity. A key control around this is using Hymans Robertson as a consultant as they report on any identified issues (e.g. email alerts) and maintain a buy/sell list. Hymans Robertson have not reported any significant risks within the fund managers used.</p> <p>Risks are also mitigated through the use of an external custodian which creates a strong division of duties and means a high degree of collusion would be required to action and conceal any fraudulent activity.</p> <p>A scheme of delegation for the authorisation of transactions exists, approved by the Pension Investment Sub Committee. The Fund also operates an authorised signatory list for instructions issued to fund managers.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Warwickshire Pension Fund as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>The Fund is not aware of any Fraud or error at this point.</p>

# Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Breaches of the law in respect of pensions administration activity are reported to the Local Pension Board, and where appropriate to the Pensions Regulator.</p> <p>Any investment issues would be reported to the Pension Fund Investment Sub Committee (and to the Local Pension Board if the matter was a governance matter).</p> <p>Accounting issues or fraud issues would be reported to the Audit and Standards Committee, and also to pension committees and/or the Local Pension Board as appropriate.</p> <p>Internal audit reports may be reported to any of the above forums, and by default will automatically be reported to the Audit and Standards Committee. These reports may pick up issues to do with fraud, errors, controls, or other irregularities.</p> <p>Risk is reported to The Pension Fund Investment Sub-Committee and the Local Pension Board quarterly.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Warwickshire Pension Fund where fraud is more likely to occur?</p>	<p>Pension fund transfer scams (whereby unscrupulous companies persuade LGPS members to transfer their pension funds to other (generally higher risk and higher cost) pension schemes against the member's best Interest. Changes to the criteria for transfers out and greater checks have been introduced by pension legislation, there is now a Pension Pledge that the fund has signed up to and members have to get independent financial advice before a transfer can take place. The fund also has more powers to refuse payment of transfers out if the new scheme does not meet the specified criteria.</p> <p>The Fund recognises that there are risks to the Fund, including the risk of fraud, and uses risk management and risk register to ensure that appropriate actions are in place to mitigate risks.</p> <p>No.</p>
<p>6. What processes do Warwickshire Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>Policies and procedures are published on the Intranet covering theft and fraud and the process staff should follow if they suspect anything. These procedures also state the escalation procedure if required.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Warwickshire 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)? If so, please provide details</p>	<p>Controls mirror the County Council and independent assurance is provided through Internal Audit reviews.</p> <p>Governance matters are reported to the Local Pension Board including the reporting of internal audit activity and findings.</p> <p>External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts. The administering authority's Annual Governance Statement is also applicable to the Pension Fund and is reported to Audit and Standards Committee.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting. The Investment Subcommittee is independent of the officers and consultants who provide financial reports to it and is supported by independent financial advisers in assessing the financial reports that it receives.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Potential for misreporting is mitigated by processes and controls. The following groups report based on industry standards adopted:</p> <ul style="list-style-type: none"> <li>Managers – report based on guidelines</li> <li>Custodian controls</li> <li>Accounting protocols</li> <li>The involvement of a wide range of different professionals.</li> </ul> <p>The pension fund investment sub-committee has had 2 Independent Financial Advisers and this mitigates the risk of misreporting happening or going unnoticed.</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Warwickshire 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? If so, please provide details</p>	<p>This is communicated through the policies and procedures published on the Council intranet.</p> <p>The Council's Core behaviours encourage staff to report any fraudulent/otherwise unacceptable Behaviour. The values and behaviours include being trustworthy, accountable, to help people and communities to find their own solutions and being high performing and customer focused.</p> <p>Council has a fraud response plan where staff can report any suspected or discovered fraud. The Council operates a whistleblowing procedure.</p> <p>Staff can raise any concerns and business practice and ethical behaviour can be reinforced.</p> <p>No</p>
<p>10. 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>Pension Fund Officers within Investment team.</p> <p>A signatory protocol is in place that ensures division of duties, and periodic internal audit assignments review the application of controls and their effectiveness. Staff are appropriately qualified with a requirement to meet professional standards of conduct.</p> <p>IT security controls access to electronic information. There are professional qualification requirements for certain posts.</p> <p>A scheme of delegation further exists for transactions and accountability.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>If related party relationships were a feature of a transaction, conflicts of interest would be proactively identified and declared, and appropriate arrangements put in place to manage them.</p>

# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit &amp; Standards Committee?</p> <p>How does the Audit &amp; Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Policies and procedures are published on the Intranet and these procedures also state the escalation procedure if required.</p> <p>The council has a Whistleblowing policy which is intended to promote a culture of openness and transparency.</p> <p>Oversight is also exercised through Internal Audit assignments reporting to the Audit and Standards Committee (and also to the Local Pension Board).</p> <p>Completed audits are reported to the Audit and Standards Committee, and to the Local Pension Board.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No reports have been made of this nature.</p>

# Law and regulations

## 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 Audit & Standards Committee, is responsible for ensuring that Warwickshire 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 Audit & Standards Committee as to whether the body is in compliance with laws and regulations. Where we become aware 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 Warwickshire 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 Monitoring Officer and the Section 151 officer provide assurance that laws and regulations have been complied with. Our retained advisers also provide assurance, and we commission specialist advice where required.</p> <p>The Fund maintains a register of breaches of the law.</p> <p>The Fund regularly reviews Fund policies.</p> <p>No.</p>
<p>2. How is the Audit &amp; Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through a risk-based programme of internal audit work, the Annual Governance Statement, and the existence of policies and procedures to ensure compliance with the law (for example procurement policies).</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>The 2022/23 Pension Fund Accounts were not published and signed off by the expected deadlines, however at the time of writing the 2022/23 accounts have been signed off by Council and no further audit queries or actions are outstanding. The Accounts will be reported back to Audit and Standards Committee to ensure transparency of the final updates. However this does not have an impact on the 2023/24 accounts.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>The McCloud and Goodwin cases, however the impact is likely to be immaterial.</p>



## Impact of laws and regulations

Question	Management response
5. What arrangements does Warwickshire Pension Fund have in place to identify, evaluate and account for litigation or claims?	The Pension Fund have the support of an internal legal team within the Administrating Authority, and the option to commission external specialist legal opinion, advice, and support where necessary.  The fund operates an Internal Dispute Resolution Procedure.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None noted.

# Related Parties

## Matters in relation to Related Parties

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

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Warwickshire Pension Fund;
- associates;
- joint ventures;
- a body 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 body 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 Pension Fund'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 including those disclosed in Warwickshire Pension Fund's 2022/23 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Warwickshire Pension Fund</li> <li>whether Warwickshire 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 are key management personnel changes. During 2023/24 the Director of Finance, Pensions Administration Manager, and Pension Investments and Governance Manager left the organisation during the year. The Pension Fund Senior Accountant joined the fund during the 2023/24 financial year.</p>
<p>2. What controls does Warwickshire Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Key officers and the members of pension fund committees and the Local Pension Board are required to declare any interests that cause a conflict of interest. Related parties are identified by officers and incorporated into the related parties disclosures in the accounts as appropriate.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Transactions are reviewed by appropriate officers. Significant transactions (e.g. large fund transfers) are subject to more detailed planning and process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Transactions are signed off by appropriate officers in line with an approved scheme of delegation. Transactions are signed off by appropriate officers in line with an approved scheme of delegation.  There is no facility to authorise transactions outside of this scheme of delegation.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government / NHS bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Warwickshire Pension Fund will no longer continue?	Going concern is assessed by management using four key factors as follows: <ul style="list-style-type: none"><li>• Investment Returns &amp; Net Asset Values</li><li>• Cashflow forecasts &amp; liquidity</li><li>• Membership Trends</li><li>• Funding levels and delivery of agreed recovery plans</li></ul>
2. Are management aware of any factors which may mean for Warwickshire Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	We are not aware of any factors which may mean either statutory services will no longer be provided or that funding for statutory services will be discontinued.
3. With regard to the statutory services currently provided by Warwickshire Pension Fund, does Warwickshire Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Warwickshire Pension Fund to cease to exist?	The fund expects to continue to provide the statutory services currently provided by Warwickshire Pension Fund and expects to continue to deliver them for the foreseeable future.
4. Are management satisfied that the financial reporting framework permits Warwickshire Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes.

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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 & Standards 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 & Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
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?	Accounting estimates and related disclosures made will be made in a way that has appropriate regard to the circumstances. Details of the basis for accounting estimates for Level 2 and 3 investments are included as notes to the accounts.
2. How does the Pension Fund's risk management process identify and address risks relating to accounting estimates?	Fund officers will consider the risks of accounting estimates during the production of the accounts and how to ensure that the basis for the estimates and their associated risks are transparently reported.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Fund asks fund managers to provide information as to their methodology/assumptions applied.
4. How do management review the outcomes of previous accounting estimates?	Management review the updated accounting estimates and are aware of the differences in value to the estimates made at the accounting date.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>For investments, the Fund relies upon fund managers whose investments are valued at fair value in accordance with their appropriate respective professional guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Regarding non-investment related accounting estimates (for example debtors and creditors), the Fund will ensure appropriately qualified staff or advisers are engaged.</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>The fund custodian applies a roll-forward valuation based on the 31st December 2023 or 30<sup>th</sup> September 2023 statements, adjusting for cashflows. This is compared to the year-end or calendar end statements once available. The fund escalates its communication with L3 managers around year end so to understand any potential material changes in the NAV at the reporting period.</p> <p>Internal control reports from managers are reviewed</p>
<p>8. How does 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 works closely with the custodian.</p> <p>Fund managers are required to operate to relevant professional and regulatory standards. Fund officers meet periodically with Fund managers to discuss fund activity, this includes discussing the timely provision of capital statements and early intelligence at reporting period end.</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>Reconciliations are carried out against custodian reporting. These are further compared to manager statements.</p> <p>The accounts are reviewed by the Director of Finance and the Head of Investments, Audit, Insurance, and Risk</p> <p>Draft accounts are reported to the Audit and Standards committee for review and comment.</p>



# Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any 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)? If so, what are they?	We are not aware of any such transactions
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes, we believe the arrangements are reasonable. The accounting arrangements are aligned with the relevant regulations and codes of practice.
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	We quantify the financial impact of estimation and uncertainty. This is reported to Audit and Standards as part of the Statement of Accounts. The use of appropriately experienced staff to prepare the accounts, reviews by professionally qualified more senior staff, external audit review, and the preparation of accounts in line with relevant accounting standards.

## 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?
Actuarial valuation of the fund	This is set out in the Fund's Funding Strategy Statement and Valuation Report to the March 2023 Pension Fund Investment Committee.	Scenario modelling Asset liability modelling Stress testing	Yes	The Fund considers alternative valuation assumptions in the process of making decisions on which assumptions to adopt. The valuation approach has regard to managing risk and uncertainty.	No
Level 2 investments	Closing bid price where bid and offer prices are published. Closing single price where single price is published	Fund managers apply appropriate controls in the identification of estimates, for example following appropriate valuation standards.	Yes	Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value, these inputs are observable. Products classified as level 2 include unquoted bonds, pooled funds, and unit trusts.	No
Level 3 investments	These investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 special rules 2020 and US GAAP.  Underlying property valuations are carried out by independent	Fund managers apply appropriate controls in the identification of estimates, for example following appropriate valuation standards.	Yes	Level 3 investments are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity and debt investments, which are valued using various valuation techniques that require significant judgement in determining	No



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