

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

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## Purpose

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

## Background

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

This two-way communication assists both the auditor and the Governance and Audit 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 Governance and Audit Committee and supports the Governance and Audit 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 Kent Pension Fund's management. The Governance and Audit 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>There has continued to be volatility in the markets due to economic and political issues. Whilst this will have a short-term impact on asset prices, as investments valuations are marked to market the equity protection programme will help to alleviate the impact of the volatility.</p> <p>In September 2023, the Fund agreed a new investment strategy with the implementation strategy agreed in December 2023. Whilst this is a key event, this has been designed to have a positive outcome for the Fund and will not have a significant impact on the financial statements.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Kent Pension Fund? 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>We have considered the appropriateness of the accounting policies and have concluded that no changes are required.</p> <p>There have been no events or transactions that have caused us to change or adopt new accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>All the investments made by the Pension Fund except directly held property assets are classified as Financial Instruments. These include derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No.</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?	All of the Fund's non-current assets are held at market value and there is no impairment required.
6. Are you aware of any guarantee contracts? If so, please provide further details	The Pension Fund requires certain admission employers to put bonds in place issued by financial institutions. There are no other guarantee contracts. Some employers have provided guarantees for admission bodies replacing the requirement for bonds.
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	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Kent Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The Council has used Invicta Law, and through them engaged legal counsel, to advise on employer admission and regulatory matters. DTZ who manage the Council's owned properties have used Invicta Law and other 3<sup>rd</sup> parties for legal advice.</p> <p>The Fund has also used other 3<sup>rd</sup> party solicitors in relation to investment advice, none of which involved any open litigation or contingencies.</p>

## General Enquiries of Management

Question	Management response
9. Have any of the Kent 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	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Mercer provide investment advice to the Pension Fund on an ongoing basis. Barnett Waddingham provide actuarial advice on an ongoing basis.
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	We have considered and identified a need for a credit loss provision for uncollected rental income on directly held property. The provision will be based on the investment managers' assessment of likelihood of non-collection of rents.



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

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

# Fraud risk assessment

Question	Management response
<p>1. Has Kent 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>Yes, and we believe the risk of fraud is very low both with regard to external as well as internal fraud.</p> <p>We have procedures in place for the process of investing / divesting from fund managers who also issue internal control reports.</p> <p>With regard to internal fraud officers comply with KCC protocols to assess and identify fraud. In particular they comply with KCC policies and procedures with regard to payment / procurement processes, employee expense and IT security. Segregation of duties, several stages of review/authorisations for payments. Pension payment fraud is managed through ATMOS, Tell us once and NFI , who review the records against the registry of deaths etc. to identify fraudulent continuing claims for benefits. No significant issues noted in this regard.</p> <p>Budgetary control and reporting identifies any areas of significant variance for review and financial reporting.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>See above.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Kent Pension Fund as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>No.</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>A copy of the risk register is reported to every meeting of the Pension Board and to the Kent Pension Fund committee.</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 Kent Pension Fund where fraud is more likely to occur?</p>	<p>The risk register includes:</p> <p>In-house treasury management risks – use of counterparties, separation of duties, sufficient cover for tasks.</p> <p>Fraudulent payments to deceased pensioners. ATMOS, Tell us once and NFI used to monitor these payments.</p>
<p>6. What processes do Kent Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>See above.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Kent 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>Each year, an annual audit plan is developed that takes into account the risks to the Council. Internal Audit carry out a periodic review of Pension Fund risks. No areas of significant lack of control has been identified either by internal audit or by management.</p> <p>There are internal controls in place to ensure all investment transactions are authorised and that there is separation of duties where appropriate, e.g. re settlement of investment commitments. All reconciliations of transactions are reviewed by a separate person. There is also ongoing monitoring of employer and employee payments, quarterly reporting to the board and committee to identify any unusual variances. KCC measures re procurement / payment processes are applied.</p> <p>No pressure from the S151 officer, committee or board to achieve financial targets and for the override of controls.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not that we are aware of.</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Kent 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>Officers engaged on the Pension Fund are employees of Kent County Council. They are expected to comply with KCC standards and follow KCC policies which include staff code of conduct, anti-fraud corruption strategy and anti-bribery policy. There is e-learning provided to support the prevention and detection of fraud.</p> <p>KCC has a whistle blowing policy and the counter fraud team undertakes fraud awareness presentations.</p> <p>Staff are encouraged to raise all financial irregularities with internal audit.</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>S151 officer has delegated authority to spend up to £1m. In practice they work with the Chair of the Committee implementing committee decisions including investment decisions.</p> <p>Internal controls in place, staff expected to follow KCC policies and guidelines. Segregation of duties.</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>Officer and member declarations are required for setting up suppliers, committee decision making. Commissioning category managers also vet new suppliers.</p>

# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</p> <p>How does the Governance and Audit 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>Counter fraud reporting to Governance and Audit Committee at each meeting.</p> <p>Governance and Audit Committee has the ability to call in any manager to question their arrangements in addressing the risks of fraud.</p> <p>There have been no cases of reported fraud.</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>KCC has a whistle blowing policy and no complaints reported.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None.</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 Governance and Audit Committee, is responsible for ensuring that Kent 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 Governance and Audit 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 Kent 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>Contractual arrangements with service providers including investment managers include regulatory compliance requirements.</p> <p>Managers keep abreast of regulations through receiving communication from the LGA, DLUHC, Scheme Advisory Board, the Fund actuary – Barnett Waddingham, and investment consultant – Mercer. The Pensions Regulator (tPR), Pensions Ombudsman, Internal Dispute Resolution Procedure (IDRP). CIPFA</p> <p>Staff and member training programme eg re the Pensions Regulator code of Practice 14. Report non compliance to tPR.</p> <p>The annual review and update of the governance compliance statement ensures a review of compliance with LGPS regulations</p> <p>The Head of Pensions and Treasury is a member of the Scheme Advisory Board's Investment, Engagement and Governance Sub-Committee, and as such has regular meetings with Government officials. This enables the Fund to keep well informed of any regulatory changes.</p> <p><a href="#">The implications arising from the McCloud remedy could have some impact on the financial statements of the Fund, including potentially increased liabilities and the addition of disclosure notes, though the impact is not expected to be significant.</a></p>
<p>2. How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Reporting to the Pensions Board and Committee who are responsible for governance. Annual review and completion of the Governance Compliance Statement</p>
<p>⊗. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1</p>	<p>None.</p>



## Impact of laws and regulations

Question	Management response
5. What arrangements does Kent Pension Fund have in place to identify, evaluate and account for litigation or claims?	The Head of Pensions and Treasury liaises with the Pensions Administration manager to identify issues.
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.

# Related Parties

## Matters in relation to Related Parties

Kent 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 Kent 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 Kent Pension Fund's 2023/24 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Kent Pension Fund</li> <li>• whether Kent 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>None.</p>
<p>2. What controls does Kent Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>KCC procedures – Members and senior officers are required to complete declarations of interest which are reviewed during the year end accounts closure. Information is collected via the early return process by KCC.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All such transactions and arrangements require authorisation by senior KCC officers in line with the KCC procedures. Normal KCC procurement and payment procedures apply.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All controls on the authorisation of such transactions are in line with the KCC procedures. The Financial Regulations and the delegation matrix sets out the responsibilities that are to be followed. There are 'how to buy' and other guidance on procurement process. All payments and procurement follow the same rules.</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 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
<p>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 Kent Pension Fund will no longer continue?</p>	<p>The Fund undertakes regular cashflow monitoring and forecasting to ensure there is sufficient funds in the short term as well as long term to pay benefits as well as investment commitments. The triennial valuation exercise carried out by the actuary assesses the funding level of the Fund and sets contribution levels to ensure long term affordability and sustainability. Regular monitoring of investment performance and income collection ensures that timely actions are taken to protect the financial position of the Fund.</p>
<p>2. Are management aware of any factors which may mean for Kent 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?</p>	<p>No.</p>
<p>3. With regard to the statutory services currently provided by Kent Pension Fund, does Kent 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 Kent Pension Fund to cease to exist?</p>	<p>Yes, we expect to continue to deliver services for the foreseeable future. The Fund had a very strong funding position of 102% in the 2022 Triennial valuation.</p> <p>Within the year, the Fund's strategic asset allocation has been reviewed and updated with the aim to ensure that we can continue to deliver for the foreseeable future and to potentially strengthen the funding position further.</p>
<p>4. Are management satisfied that the financial reporting framework permits Kent Pension Fund to prepare its financial statements on a going concern basis? Are</p>	<p>Yes.</p>

# 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 Governance and Audit Committee members:

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

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

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Significant estimates relate to the levels 2 and 3 investments, primarily property investments and Private Equity and Infrastructure Funds.</p> <p>Estimates are also required in calculation of actuarial pension fund liability</p>
<p>2. How does the Pension Fund's risk management process identify and address risks relating to accounting estimates?</p>	<p>Having identified the areas of significant estimation involved, management ensures that they employ the services of regulated and certified experts that are best placed to undertake the estimation following guidance, regulations and best practice.</p> <p>Property Valuation is undertaken by independent valuer (Colliers) and these are validated by the property manager DTZ. Private Equity and Infrastructure Funds are valued by the Fund Managers in accordance with the applicable accounting standards and laws. Internal control reports provided by these managers provide assurance on the controls on valuations in their organisation to ensure that risk related to estimates is mitigated.</p> <p>Pension fund liability estimates are calculated by the Actuary based on actuarial standards and LGPS regulations. The Government Actuary's Department has recently completed a section 13 report on the 2019 actuarial valuation.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Quarterly reporting provided by investment managers details the methodology of valuations as well as the breakdown of assets that make up the valuations. It also highlights changes in movements in the valuations as well as the factors behind the changes. This would include adjustments for the underlying market conditions as well as the business model and prospects for the underlying investments. This helps the fund to assess the reasonableness of the valuation which often in these cases includes estimation.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>The outcomes of estimated valuations get validated when underlying assets are sold and the valuations are realised or if there is a sudden write down/adjustment required for valuation of assets. The information provided by fund managers in their quarterly reporting, enables the fund to assess the soundness of the estimation and valuation process employed by the managers. Any large unexpected variations in valuations or realised value will trigger an enquiry and review.</p>

# 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>Management pay regard to the specialist nature of investment or liability to determine the need to apply specialised skills or knowledge related to accounting estimates</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 level of controls required for specialist services are often dictated by professional standards and overseen by professional bodies which the service provider is expected to be members of. Management can rely on the service providers' accreditation from such professional bodies.</p> <p>Additionally, management takes advice from its investment consultants who carry out the due diligence in respect of the activities of the service provider</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>Service providers are required to produce control reports that provide independent assurance of the operation of these controls.</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>Review undertaken by Senior management.</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?	No.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes.
12. How is the Governance and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Review by senior management. Details are contained in the statement of accounts. Briefing sessions are provided to the Committee.

## 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?
Valuation of level 2 Investments	RICS valuation – global standards prepared by the royal Institute of Chartered Surveyors	Considerations of acquisitions and disposals, inspections, tenure floor areas and lettings, market conditions etc	Yes- registered under the RICS valuer Registration Scheme	These are separate for each asset in the portfolio depending upon the asset, and applicable sector and wider market conditions	No.
Valuation of level 3 investments	Replacement cost or Market approach depending upon stage of direct investments and applying discounts or fair value approach for partnerships	Free Cash Flows, EBITDA ,entry level valuation Developments in markets, private transactions	Management relies on information provided by fund managers who employ experts	These are separate for each underlying investments depending upon the business and applicable sector and wider market conditions	No.
Valuation of pension liabilities	Specialist LGPS full actuarial valuation models and stochastic models, developed and maintained in-house, used to project and discount future benefits using assumptions in line with the Fund's Funding Strategy Statement.	Validation of full membership extracts are conducted using in-house online data checking tools. Validation of intervaluation cashflow data is also performed to ensure consistency	Fund actuary Barnett Waddingham	Financial and demographic assumptions are used for estimation, as are the agreed probabilities of success used to derive prudence margins within discount rates.  Key uncertainties are covered in	No

## 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 PV of Retirement Benefits	Latest full triennial actuarial valuation projection of future cashflows adjusted for inflation as per IAS 26 requirements, rolled forward annually with assumptions complying with IAS19 requirements.	Validation of member and cash flow data, as well as updated information on interest rates, inflation and demographic data.	Fund actuary Barnett Waddingham	Per IAS26, financial and demographic assumptions are used for estimation, including an evaluation of alternative assumptions, and sensitivity analysis is undertaken.	No.
Contribution Accruals	Employer and Employee contributions are accrued based on Employer Monthly Returns (EMR) or i-connect returns received from employers at the end of each month.	Employer contributions are validated against actuary certified rates. Accruals are checked against actual receipts for accuracy and/ or previous EMR /i-connect returns. Additionally, year-end reconciliations of contributions are carried out between employer and Fund's records	Fund actuary Barnett Waddingham provide employer contribution rates used	Contribution accruals are based on monthly returns provided by employers (EMRs and i-connect returns). There is low level of uncertainty involved in these estimates as the employer returns are based on monthly Payroll figures provided by the employers and therefore no alternatives are considered.	No.



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