

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

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# 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 East Sussex Pension Fund's external auditors and the Pension Fund's 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 Audit and Governance Committee under auditing standards.

## Background

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

This two-way communication assists both the auditor and the 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 Audit Committee and supports the 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 East Sussex Pension Fund's management. The 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 been no major events this year. There have been some smaller asset allocation changes that have taken place we have been increasing our index linked exposure with a set agreed trigger mechanism so this has increased by 3% with a corresponding reduction in our equity exposure. We have rebalanced our passive equity managers so a movement of £97m was made from Storebrand to the UBS Osmosis fund.</p> <p>The East Sussex County Council Pension Bulk Transfer was completed, and payment of £961K was made in October 2023</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by East Sussex 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>Our accounting policies are looked at when preparing the accounts to ensure we are in line with the CIPFA guidance on these costs.</p> <p>No</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Derivatives are permitted within the Fund for the purpose of efficient portfolio management or to hedge specific risks</p> <p>We have one investment where we directly hold derivatives, this is our UBS Osmosis passive segregated mandate</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?	No, we have not come across any circumstance that has lead to and impairment of an non-current assets the investments in the Fund are reported at fair value.
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>The Pension Fund has not entered into any financial guarantee contracts where it would be required to make specific payments to reimburse the holder for a loss it incurs with regards to the terms of a debt instrument.</p> <p>The Fund is in receipt of 12 guarantees by local authorities participating in the Fund,  3 Parent company guarantees,  1 deposit held by East Sussex County Council,  2 guarantees by Academies participating in the Fund  3 Parent company guarantee.</p> <p>These are in place to cover the possibility of the employers not paying their contributions to the Fund</p>
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 there is no existence of loss contingencies and/or un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by East Sussex Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>For pension law matters, the Fund instructs Eversheds to provide advice.</p> <p>For matters relating to ACCESS advice is taken from Squires Patton Boggs</p>

## General Enquiries of Management

Question	Management response
9. Have any of the East Sussex 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?	<p>Isio, Investment advice</p> <p>William Bourne, Investment advice,</p> <p>Barnett Waddingham, Scheme Actuary</p> <p>Mercer, GMP</p> <p>ITM, Address tracing</p> <p>Northern Trust - Custodian</p> <p>Minerva – Carbon footprinting</p>
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 not identified assets which are expected to have a credit loss provision



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

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

# Fraud risk assessment

Question	Management response
<p>1. Has East Sussex 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 internal audit team from East Sussex County Council have not identified any risks relating to fraud therefore there is considered to be a low risk that there would be a material misstatement in the financial statements.</p> <p>There is segregation of duties between those generating the transactions and those authorising and those physically actioning transactions. Fraud is also an area that the internal audit team of the council consider during their audits of the Fund.</p> <p>The Fund maintains a risk register which is reported to both Pension Board and Committee and they are informed if there is a change in the risk rating of the items on the risk register.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The classes of accounts most at risk of fraud would be those that are dealing with cash payments into and out of the Fund.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within East Sussex 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>The Pension Committee and Board receive reports from the internal audit team to look at the controls in place within the Fund. There is also a risk register that goes to each committee and board to update the committee and board of any changes to the risks to the fund. The committee and board also receive reports on the breaches within the Fund so that they are aware of these.</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 East Sussex Pension Fund where fraud is more likely to occur?</p>	<p>Pension transfers are a specific fraud risk and the fund has self certified in the TPS scam pledge and has undertaken training on this type of fraud.</p> <p>The Fund believes it has appropriate controls in place to mitigate the risk of fraud such as segregation of duties, authorised signatory and call back lists and procedures to follow.</p> <p>The Fund does not consider that fraud is more likely to occur anywhere in particular within the Fund and maintains vigilance on all aspects of the financial affairs of the Fund.</p>
<p>6. What processes do East Sussex Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>The Fund have a Risk Management policy (which is published on the website). We have procedures in place to mitigate the risk of fraud by segregation of duties. Any payments made require payment team to process this which then has to be approved by one of our managers in our accounting system. We also have a call back system in place with Northern Trust our custodians. If we need to transfer money from the investment fund to our cash fund. Once the transfer paperwork has been completed and a request has been made NT will contact a different senior member of the team to approve this request to ensure this request is genuine. We have a hierarchy of approvers for payments that need to be made, where we have multiple senior manager signoff for financial transactions.</p> <p>Plus, the higher the value of the transaction the value the more senior member of the staff needs to sign and authorise the transaction.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for East Sussex 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>The internal audit function of East Sussex County Council monitor the control environment of the East Sussex Pension Fund and report its findings to the pension board and committee.</p> <p>The internal audit reports will highlight any areas that could be improved, and management actions are provided against these. These are then followed up by the internal audit team.</p> <p>Internal controls have been assessed against the requirements laid out by TPR to ensure best practice is achieved.</p> <p>Other controls in place are:</p> <ul style="list-style-type: none"> <li>segregation of duties</li> <li>Multiple senior manager signoff for investments</li> <li>Checks required by law and/or recommended by TPR for transfers out</li> <li>Training to be identified and offered to staff to build understanding of risk and appropriate mitigations</li> <li>Monthly mortality checks</li> <li>Regular member tracing exercises</li> <li>Quarterly Budget monitoring reports</li> <li>Custodian to hold investments</li> </ul> <p>The Pension Fund does not perceive there to be the potential for any management override of the controls in place or an inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p>

## Fraud risk assessment

Question	Management response
<p>9. How does East Sussex 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>Staff are given training online when we all start our roles about if we suspect fraud we need to report There is an ESCC Fraud Awareness training module that employees can take online which explains:- what fraud is and the importance of tackling it; encourage you to think about the fraud risks in your service; discuss your role in preventing, detecting and reporting fraud; tell you how suspected fraud can be reported</p> <p>The Council also has an Anti-Fraud and Corruption Strategy this forms part of the Council's counter fraud framework, a collection of interrelated policies and procedures including the Code of Conduct, Financial Regulations and Whistle Blowing Policy. It also includes policies and procedures that are specifically targeted at countering fraud and corruption. such as anti-Money Laundering Policy and Whistleblowing Policy.</p> <p>Known scams targeted at the council are also shared by the accounts payable team when they occur.</p> <p>The transfer out process has been updated and staff have been trained to assess for amber and red flags to identify and protect from fraud in these cases.</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>The Fund's conflicts of interests policy sets out in conjunction with the code of conduct how these should be mitigated and specifically sets these out for the following roles: all members of the Pension Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not; officers of the Fund; the Chief Finance Officer (Section 151 Officer), the Chief Operating Officer and all advisers and suppliers to the Fund</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the 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>The Council has an Anti-Fraud and Corruption Strategy this forms part of the Council's counter fraud framework, a collection of interrelated policies and procedures including the Code of Conduct, Financial Regulations and Whistle Blowing Policy. It also includes policies and procedures that are specifically targeted at countering fraud and corruption. such as anti-Money Laundering Policy and Whistleblowing Policy.</p> <p>A dedicated Counter Fraud team was established within Internal Audit. This team are now responsible for the investigation of all allegations of fraud or financial irregularity across the East Sussex County Council.</p> <p>An annual report is provided to the Audit committee by the counter fraud team.</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</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 Committee, is responsible for ensuring that East Sussex 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 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 East Sussex 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>We have Governance and Compliance team in place which ensures we are in compliance with the relevant laws</p> <p>There is a breaches policy in place that sets out the expectations around identify and recording any breaches of law and how these are considered and reported to pension board and committee</p> <p>This team will regularly review consultations to identify forthcoming changes in the law so preparations can be made</p> <p>We also have an internal audit team who audit this compliance team</p> <p>We have put notes in our financial statements about the impact of the environment on our investments</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The compliance team will report each quarter to the Pensions Board and Pensions Committee on any issues.</p> <p>We also have internal audit team that ensures that this team is being audited</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>Breaches of law are reported to the pension board and committee at their quarterly meetings. There have not been any breaches that would affect our financial statements. The main breach we have is around employers not providing or late provision of accurate data which means we have not been able to produce annual benefit statements to all their active members by the deadlines.</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>There has been no litigation against the Fund nor do we consider there to be any potential litigation.</p>



## Impact of laws and regulations

Question	Management response
<p>5. What arrangements does East Sussex Pension Fund have in place to identify, evaluate and account for litigation or claims?</p>	<p>We have an IDR process where we look at complaints where people have not had their complaints quickly resolved.</p> <p>Officers also meet with Eversheds each month to discuss ongoing work and any emerging scenarios allowing for early identification where there is a risk of legal action.</p>
<p>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</p>	<p>No</p>

# Related Parties

## Matters in relation to Related Parties

East Sussex 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 East Sussex 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 [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

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

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in East Sussex Pension Fund's 2023/24 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and East Sussex Pension Fund's</li> <li>• whether East Sussex Pension Fund's 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>	No Change
<p>2. What controls does East Sussex Pension Fund's have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The East Sussex Pension Fund is administered by East Sussex County Council. Therefore there is a relationship between the council and the fund Each member of the Pension Committee is required to declare their interests at each meeting. There is a conflicts of interest policy for the Fund</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Pension Fund team is separate from the County Council and approval must be received from both the Fund Team and any respective team from the council before transactions can be processed.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Head of Pensions and section 151 officer would have to approve any significant transactions outside of the normal course of business this would be reported to the Pension Board and Committee at the next available opportunity.</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
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 East Sussex Pension Fund will no longer continue?	<p>We regularly check our cash balances and do cash forecasts to ensure that we can pay our pensioners each month</p> <p>We also ensure that our employers pay their contributions on time and chase any late payments and penalise and report any repeat late offenders</p>
2. Are management aware of any factors which may mean for East Sussex 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?	There are currently no factors
3. With regard to the statutory services currently provided by East Sussex Pension Fund, does East Sussex 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 East Sussex Pension Fund to cease to exist?	East Sussex Pension fund should continue to deliver for the foreseeable future there are no plans for the fund to cease
4. Are management satisfied that the financial reporting framework permits East Sussex 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 Committee members:

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

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

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The valuation of the of the Fund's investments are material to the financial statements especially the level 3 investments which are not based on active markets. The promised retirement benefit liability valuations these are based on assumptions around the life and level of benefits which will be paid out in the future discounted to present day values.</p>
<p>2. How does the Pension Fund's risk management process identify and address risks relating to accounting estimates?</p>	<p>The Fund uses the values held by its custodian to account for its investments these are monitored against the fund managers valuation reports to the Fund. The value of these over the period of the creation of the account is monitored to identify if there is a material misstatement of the investment values as at the 31 march.</p> <p>To identify level 3 investments the custodian will provide the Fund with a list of the assets and classified these either against the automated generated level or the level the Fund has determined the investment to be if different. This is reviewed by the Fund and any amendments are highlighted to the custodian and there records are updated.</p> <p>The Fund appoints an appropriate Actuarial firm to undertake the valuation of the Funds liabilities the fund provides the data to the actuary to provide the calculation and a full valuation is undertaken every 3 years.</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>The Fund has independent/investment consultants, investment managers and custodian to inform the fund on the investment characteristics of the Funds assets. Understanding of the valuation process of the managers and custodian will inform the assumptions and methods that the fund employs.</p> <p>For the pension liabilities at the valuation the fund uses club vita to help with its mortality assumptions and the pension committee is provided with training to help understand and agree the assumptions used.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Investments are reviewed quarterly in depth by the investment consultants and the pension committee checks are performed monthly/quarterly based on the availability of information on the assets to ensure that the valuations are the same.</p> <p>The Valuation is undertaken every three years as part of this it compares the assumptions made against the</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>The Fund utilises multiple sources to help it identify areas that it requires specialised skills from the regulations to its accounting body CIPFA it attends relevant conferences and shares knowledge with other Funds through the ACCESS pool and wider networks of LGPS funds.</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 discusses with its custodian on a regular basis to understand the control activities are being undertaken by them. We also receive the external control reports and review these from the custodian, and investment managers and any qualified reports are reported to the pension committee.</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>We would check valuation policy has not changed and confirm they are valuing their investments inline with their policy.</p> <p>Send email to managers to get the valuation policy and confirmation to confirm there are no material accuracy issues that they are unable to calculate and we keep a copy of it</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The Pension Fund accounts are created by the investment and accounting team these are peer reviewed internally by the Head of Pensions and the Chief Finance Officer. Challenge is provided around the figures and assumptions set out in the accounts.</p> <p>If it was identified that a new significant accounting estimate was required it would be discussed between the Pension Fund Accountant and a proposal put forward to the Head of pension to agree or modify before it was used.</p>



## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>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?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>The valuation of investments are based on industry standards and there is a high level of monitoring of all the investments held by the Fund which are reported to the pension committee. Training is also provided to the committee and officers are up to date with the latest guidance on how to account for these.</p> <p>Promised retirement values are based on the valuation data which goes through multiple checks for accuracy and the assumptions are set out clearly with training provided to committee to understand and agree these.</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>We report our accounts to the Pensions Committee where we discuss these items we are also planning to provide training to the committee and board on the accounts and this will be part of the training</p>

## 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 defined benefit net pension fund liabilities	The Actuary undertakes				
Level 2 investments	Custodian takes the unit price from market place and agrees this with Fund manager information	Custodian figures are audited monthly	Yes, Custodian and investment managers	These are priced either daily, weekly or monthly so the information is not as accurate as continually priced assets so there is an increased level of uncertainty but this is still low	No
Level 3 investments	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	Valuation policies of managers.	Yes, Investment Fund Managers provide valuations which get audited and custodian supplements with cashflow information	There is a high level of uncertainty over these assets as they are not publicly listed and valuations are determined using different factors any of which could materially change the valuation of the assets. The Fund believes the Fund manager is best placed to determine the value of the underlying assets it would not be possible for the Fund to individually calculate a value of these as they are private companies.	No



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