

The Audit Findings for West Midlands ITA Pension Fund

Year ended 31 March 2019

21 June 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands ITA Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 	<p>Our audit work was completed on site during May and June. Our findings are summarised on pages 5 to 10. We have identified no adjustments affecting the Fund's reported financial position. We have recommended some adjustments to improve the presentation of the financial statements.</p> <p>We have independently estimated the value of the insurance buy-in to be £226,163,000 compared to your actuarial valuation of £224,548,000. The valuation of this estimate is complex and the difference is within 0.72% of the actuary's result and within the expected range we set. From this we have concluded that the valuation is reasonable and not materially misstated.</p> <p>The other key messages arising from our audit of the Fund's financial statements are:</p> <ul style="list-style-type: none"> • We have no unadjusted misstatements to report • The draft accounts were presented for audit in accordance with the agreed timetable and were of a good quality, • Our work at year end demonstrated that access to documents and the quality of working papers was of a high standard. <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit, Risk and Assurance Committee (ARAC) meeting on 21 June 2019, as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none"> - Receipt of management representation letter once template wording provided by audit team - Review of the final set of amended financial statements; and - Updating our post balance sheet events review, to the date of signing the opinion
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to report to you if we have applied any of the additional powers and duties ascribed to us under the Act.</p>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We do not expect to be able to certify the conclusion of the Combined Authority's audit as we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management..

On 8 December 2017, in line with the Accounts and Audit Regulations 2015, the WMCA Board amended the Constitution to delegate the accounts approval process to the Audit, Risk & Assurance Committee (ARAC). We therefore consider ARAC are those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls and substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit, Risk and Assurance Committee meeting, as detailed in Appendix D. These outstanding items include:

- Receipt of management representation letter once template wording provided by audit team
- Review of the final set of amended financial statements; and
- Updating our post balance sheet events review, to the date of signing the opinion

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality, performance materiality and trivial matters has remained the same from our audit plan. They are based on the net assets of the fund as at 31 March 2018. We detail in the table below our assessment of materiality for West Midlands ITA Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	4,920,000	We determined materiality for the audit of the Fund's financial statements as a whole to be £4,920,000, which is 1% of the Fund's net assets. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in security and value of its assets.

Summary continued..

	Pension Fund Amount (£)	Qualitative factors considered
Performance materiality	3,690,000	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors, including no significant audit findings, we are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment, historically there has not been a large number or significant misstatements arising as a result of the financial statements audits at the Fund and senior management and key reporting personnel in the finance function has remained stable from the prior year audit.
Trivial matters	246,000	We determined the threshold at which we will communicate misstatements to ARAC to be £246,000.
Materiality for specific transactions, balances or disclosures	-	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We determined not to set any lower levels.

Significant findings – audit risks

Risks identified in our Audit Plan

Auditor Commentary

1

The revenue cycle includes fraudulent transactions

Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the West Midlands Combined Authority as the administering body, mean that all forms of fraud are seen as unacceptable.

Our audit work has not identified any issues in respect of revenue recognition.

2

Management over-ride of controls

Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.

We:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness and corroboration
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.
- evaluated the design effectiveness of management controls over journals

Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

3

Level 3 Investments Valuation is incorrect

The Prudential buy-in is the only material, directly held, 'hard to value' investment held by WM ITA Pension Fund and this was valued by the Fund's actuary (Barnett Waddingham). We:

- gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided by these types of investments. We used our in-house experts, the Grant Thornton valuation team, to assist us in doing this. We reviewed the assumptions and calculations to provide assurance that the valuation was reasonable.
- reviewed the qualifications of the expert Barnett Waddingham to value Level 3 investments at year end.

We have independently estimated the value of the insurance buy-in to be £226,163,000 compared to your actuarial valuation of £224,548,000. The valuation of this estimate is complex and the difference is within 0.72% of the actuary's result and within the expected range we set. From this we have concluded that the valuation is reasonable and not materially misstated

Other significant matters discussed with management

Issue	Commentary
① Going Concern	<ul style="list-style-type: none">• As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).• We communicated on Going Concern with the Audit, Risk and Assurance Committee through our <i>Informing the Risk Assessment</i>.• As disclosed in Note 24-Events After the Reporting Date an independent review of local LGPS actuarial valuations and employer contribution rates by the Government Actuary Department. Their report published in September 2018 raised a concern that there was a risk to payment of future pensions benefits should either of the participating employers be unable to meet future contributions requirements. GAD recommended that the Combined Authority put a plan in place to address this. The Combined Authority has been in discussions with West Midlands Pension Fund on a proposed merger and a formal consultation is expected shortly. The timing of the proposed merger is uncertain. We will continue to monitor progress on this and consider whether there are implications for our reporting.• We are therefore satisfied that the criteria for preparing the Pension Fund's accounts on a going concern basis is appropriate.• .

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments-bulk annuity buy-in.	<p>A bulk annuity insurance buy-in was put in place in 2012/13 as part of the Fund's risk strategy. This cover means that the insurer underwrites the risk of meeting the future liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011 in return for a one-off premium. This buy-in valued on the balance sheet as at 31 March 2019 at £224,548,000. The valuation of the this buy in insurance is highly subjective due to a lack of observable inputs. In order to determine the value, management have engaged their Actuary Barnett Waddingham. The value of this buy-in has decreased by £13.8m in 2018/19 compared to 2017/18, largely due to pension payments of £16m in year and a change in demographic (mortality) assumptions of £9m. This was mitigated by an actuarial gain of £7.6m due to a reduction in the discount rate.</p>	<p>The results from our review and testing of the valuation of investments is covered on page 6 of this report above. The fair value of the insurance buy-in has been reviewed and is considered a reasonable estimate.</p> <p>The pension liability is based on your actuary's Barnett Waddingham valuation. We have been provided with assurance that Barnett Waddingham can be relied upon for the purpose of valuing the liability and have reviewed the assumptions. The Pension Fund has reflected the valuation as given to them by the Actuary in their accounts. The accounts have disclosed the nature of the valuation and the fact that the estimate is subject to significant variances based on changes to the underlying assumptions.</p> <p>The bulk annuity insurance buy-in is ultimately derived by the actuary's valuation. We have had our own valuation experts review the information and assumptions used by the actuary and based on this work consider the estimates and judgements used to be reasonable.</p>	<p> (Green)</p>

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process and key assumptions to be reasonable

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with ARAC. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2 Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
3 Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4 Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Pension Fund which is included in this report.
5 Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send a confirmation request to your bank. This permission was granted and the request was sent. A response is awaited.
6 Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7 Significant difficulties	<ul style="list-style-type: none"> There were no significant difficulties encountered in the audit of your accounts.
8 Matters on which we report by exception	<ul style="list-style-type: none"> We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2019 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose the following to you:

- Grant Patterson is currently serving his 6th year on the engagement. As discussed and agreed with you, we have maintained Grant on the audit due to the potential merger with West Midlands Pension Fund. We have mitigated the familiarity threat by introducing a safeguard of an additional partner reviewing their key judgements to ensure that these are not influenced by the familiarity.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund and confirm there are none..

Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There are no adjusted misstatements we are required to report to you.

Unadjusted misstatements

We are required to report all non trivial adjustments identified during the audit which have not been made within the final set of financial statements. There are no unadjusted misstatements we are required to report to you.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Presentation and disclosure	Various	Various	<p>Our review of the accounts highlighted some minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit.</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Including disclosures within the Pension Fund accounts in relation to the McCloud court ruling and the recent high court ruling in relation to GMP • Adding a note to say the scheme is a defined benefits scheme. • Adding a note on the going concern basis of preparation • Improving clarity on disclosures on LGPS and in particular noting that WMITAPF is not a shareholder. <p>This is in addition to the need to tidy up formatting and spelling prior to publication.</p>

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	16,170	16,170
Total audit fees (excluding VAT)	£16,170	£16,170

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The fees reconcile to the pension fund financial statements, where they are shown in Note 11 as £16k.

Audit opinion

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

Independent auditor's report to the members of West Midlands Combined Authority on the pension fund financial statements of West Midlands Integrated Transport Authority

Opinion

We have audited the financial statements of West Midlands Integrated Transport Authority Pension Fund (the 'pension fund') administered by West Midlands Combined Authority (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance Director's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Finance Director has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Audit opinion (continued)

Other information

The Finance Director is responsible for the other information. The other information comprises the information included in the Financial Report, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Financial Report, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Finance Director and Those Charged with Governance of the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Finance Director. The Finance Director is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Audit opinion (continued)

In preparing the pension fund's financial statements, the Finance Director is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit, Risk and Assurance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

July 201

Management Letter of Representation

Grant Thornton UK LLP
The Colmore Building
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BIRMINGHAM
B4 6AT

21 June 2019

Dear Sirs

West Midlands Integrated Transport Authority Pension Fund Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of **West Midlands Integrated Transport Authority Pension Fund** (‘the Fund’) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund’s financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (“the Code”); in particular the financial statements are fairly presented in accordance therewith.

- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund’s particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Management Letter of Representation (continued)

- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Risk and Assurance Committee at its meeting on June 21 2019.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of West Midlands Combined Authority as administering body of the West Midlands Integrated Transport Authority Pension Fund



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