

Informing the audit risk assessment for West Midlands Combined Authority 2020/21

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Midlands Combined Authority's external auditors and West Midlands Combined Authority's Audit, Risk & Assurance 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, Risk & Assurance Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit, Risk & Assurance 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, Risk & Assurance Committee and supports the Audit, Risk & Assurance 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 Authority's oversight of the following areas:

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

Purpose

This report includes a series of questions on each of these areas and the response we have received from West Midlands Combined Authority's management. The Audit, Risk & Assurance 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 2020/21?</p>	<p>The key events are:</p> <ol style="list-style-type: none"> 1. Adult Education Budget. There are no new or different accounting issues in relation to the Adult Education Budget, it has been highlighted by virtue of its magnitude. 2. COVID-19 grants <p>The key issues are the COVID-19 impact on operational income and expenditure.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by West Midlands Combined Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Yes, WMCA provided a soft loan to a local authority during the year. The accounting policy for financial assets will be updated for this.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Yes, the financial instruments will consist of investments, cash and cash equivalents, short-term debtors and creditors, borrowings and transferred debt.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>No, we are not aware of any significant transaction outside the normal course of business.</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?	No, we are not aware of any changes in circumstances that would lead to impairment of non-current assets.
6. Are you aware of any guarantee contracts?	Yes. WMCA has guarantees with Sandwell and Birmingham City Council lodged with the bank in connection with works undertaken at various car parks.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No, we are not aware of any.
8. Other than in house solicitors, can you provide details of those solicitors utilised by West Midlands Combined Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors on behalf of our insurers dealing with personal injury cases. Please also refer to our response to question 4 on the impact of laws and regulations.
9. Have any of the West Midlands Combined Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	We are not aware of any.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	WMCA consults a wide range of advisors in many areas of its business. None of these are likely to have a material impact on the financial statements.

Fraud

Issue

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

As West Midlands Combined Authority'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, Risk & Assurance 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, Risk & Assurance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit, Risk & Assurance 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 West Midlands Combined Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Have West Midlands Combined Authority 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 Authority's risk management processes link to financial reporting?</p>	<p>Yes, the risk is considered to be low .</p> <p>This is undertaken via the Anti-Fraud & Corruption Policy and the Whistleblowing Policy.</p> <p>Key financial systems audit are undertaken annually by Wolverhampton Audit Services and their findings are reported in their internal audit reports which are presented to the Audit, Risk & Assurance Committee. Additionally, their recommendations and observations are acted upon.</p> <p>The risk register is reviewed monthly as part of the monthly management reporting.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Treasury-related transactions.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Midlands Combined Authority as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No.</p> <p>Risk issues including fraud feature as a standing item in the Audit, Risk & Assurance Committee agenda.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within West Midlands Combined Authority where fraud is more likely to occur?</p>	<p>No.</p> <p>Yes, the areas we consider that are the biggest risks this year are the Adult Education Budget, concessions, ticketing and treasury management.</p> <p>No.</p>
<p>5. What processes do West Midlands Combined Authority have in place to identify and respond to risks of fraud?</p>	<p>Policies and procedures are published on the Intranet covering theft and fraud and the process staff should follow if they suspect anything. These procedures also state the escalation procedure if required.</p> <p>If a potential fraud is reported, the Corporate Assurance Manager would be contacted who will then commission Wolverhampton Audit Services to conduct an investigation.</p> <p>We have sound financial processes to ensure stewardship.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for West Midlands Combined Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness of the system of internal control? <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)?</p>	<p>The overall control environment is assessed as robust. Additionally, we commission Wolverhampton Audit Services to perform internal audits on key areas and processes annually.</p> <p>N/A.</p> <p>Monthly financial reporting including account reconciliation which is a robust process.</p> <p>No</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>There is potential for misreporting but this is mitigated by processes and controls in place.</p>

Fraud risk assessment

Question	Management response
<p>8. How do West Midlands Combined Authority communicate and encourage ethical behaviours and business processes of its 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?</p> <p>Have any significant issues been reported?</p>	<p>This is communicated through the policies and procedures published on the Intranet.</p> <p>Inductions are provided to new staff where they are given an overview of business practices and ethical behaviours and their role in identifying or responding to fraud.</p> <p>Regular team briefing sessions are held where staff can raise any concerns and business practice and ethical behaviour can be reinforced.</p> <p>No significant issues have been reported.</p>
<p>9. 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>Treasury team.</p> <p>These risks are identified, assessed and managed through Treasury Management Group, clear segregation of duties and segregated approval limits.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>These risks are mitigated by robust procurement procedures.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit, Risk & Assurance Committee?</p> <p>How does the Audit, Risk & Assurance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Policies and procedures are published on the Intranet and these procedures also state the escalation procedure if required. Additionally, there is a standing agenda item for risks issues including fraud in the Audit, Risk & Assurance Committee meetings.</p> <p>The internal audit function delivered by Wolverhampton Audit Services presents audit reports to the Audit, Risk & Assurance Committee. The Client Manager from Wolverhampton has access to both the Chief Audit Executive and the Chair and Vice-Chair of the Audit, Risk & Assurance Committee.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There were 2 incidents during the year and they are being investigated by Internal Audit. Updates are being provided to the Audit, Risk & Assurance Committee.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>We are not aware of any.</p>

Law and regulations

Issue

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, Risk & Assurance Committee, is responsible for ensuring that West Midlands Combined Authority'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, Risk & Assurance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information 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 West Midlands Combined Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Responsibility for ensuring compliance with relevant laws and regulations lies with the Head of Governance (Monitoring Officer) who advises the WMCA.</p> <p>The Constitution and governance arrangements within the WMCA have been reviewed and confirmed that they are appropriate and robust. All governance arrangements are monitored to ensure that they comply with relevant legislation and are fit for purpose.</p> <p>Individual experts also take responsibility within their own areas of expertise and where relevant appoint external advisors.</p> <p>No, we are not aware of any changes to WMCA's regulatory environment that may have a significant impact on the financial statements.</p>
<p>2. How is the Audit, Risk & Assurance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Chief Audit Executive is the Head of Governance and a qualified solicitor, as well as Monitoring Officer. It is the duty of care of all these roles to ensure laws and regulations have been adhered to. The WMCA legal team reports to the Head of Governance and are also the custodians of the WMCA Constitution. The Chief Audit Executive would flag to the committee if any breaches to the Constitution had been made. Where the Chief Audit Executive is not present at an Audit, Risk & Assurance Committee, it is advised that a legal representative is present at the committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>None.</p>

Impact of laws and regulations

Question	Management response
4. Is there any actual or potential litigation or claims that would affect the financial statements?	Cover is in place through Municipal Mutual Insurance which is currently administered via Zurich on behalf of Municipal Mutual with an excess of £25k. Finance are kept up-to-date with any claims and potential claims. Whilst the WMCA have a number of potential claims at investigation stage, there are no significant litigation claims at this time.
5. What arrangements does West Midlands Combined Authority have in place to identify, evaluate and account for litigation or claims?	All claims are controlled by the legal team in conjunction with our insurers. Where appropriate, these are taken to the WMCA Board for approval.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Related Parties

Issue

Matters in relation to Related Parties

West Midlands Combined Authority are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by West Midlands Combined Authority;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- 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 Authority, or of any entity that is a related party of the Authority.

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 Authority's perspective but material from a related party viewpoint then the Authority 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 disclosed in West Midlands Combined Authority's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none">• the nature of the relationship between these related parties and West Midlands Combined Authority• whether West Midlands Combined Authority has entered into or plans to enter into any transactions with these related parties• the type and purpose of these transactions	<p>There have been no changes in respect of related parties.</p>
<p>2. What controls does West Midlands Combined Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Key officers complete a disclosure form detailing their interests. These are reviewed annually.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Robust procurement procedures are in place to provide assurance that all expenditure is carried out on a commercial basis. The process in place are no different when considering related party transactions.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As above.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	They are: <ul style="list-style-type: none">• Estimated remaining useful lives of PPE/Depreciation• Accruals• Pension Fund (LGPS) Actuarial gains/losses
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	The operational risk management process will highlight any changes to circumstances which could lead to an assessment of accounting estimates and/or assumptions may require revision.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Each transaction will be assessed on its own merit and the identification will be based on requirements/criteria set out by the CIPFA's Code of Practice and the applicable accounting standards e.g. IFRS, ISA and IPSAS.
4. How do management review the outcomes of previous accounting estimates?	This is done via the rigorous monthly management reporting where the basis is reviewed and where applicable a reconciliation between the accrual and submitted claims received.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	There were no changes.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>New classes of transactions, events and conditions are assessed and specialist skills or knowledge are resourced as appropriate.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>This is determined by assessing the activities on their own merit.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>This is done via the rigorous monthly management reporting.</p> <p>On the defined pension benefits, we place reliance on the internal audit carried out annually at the West Midlands Pension Fund where its findings are reported to the West Midlands Pensions Board. Additionally, we have employer representatives present at this Pensions Board.</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">- Management's process for making significant accounting estimates- The methods and models used- The resultant accounting estimates included in the financial statements.	<p>These are explained as appropriate as part of regular financial monitoring reports to the Senior Leadership Team and WMCA Board.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of 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)?	No significant judgements expected over and above those already outlined in Appendix A.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit, Risk & Assurance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	These are explained as appropriate as part of regular financial monitoring reports to Senior Leadership Team and WMCA Board. The Chair of Audit, Risk and Assurance Committee attends WMCA Board.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There were no risks identified.
Estimated remaining useful lives of PPE / Depreciation	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Depreciation is calculated on a straight-line basis as this reflects consumption of assets and is a reasonable assumption. There were no changes made.
Estimated remaining useful lives of PPE / Depreciation	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Based on the specialist knowledge of project managers & in respect of trams, from its manufacturer.
Estimated remaining useful lives of PPE / Depreciation	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data containing cost (as recorded in our ledger) and UEL is held within the fixed asset module in our financial system. Depreciation is automatically calculated & checked for reasonableness. There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes and from our internal asset management team and where applicable Bruton Knowles as the valuer.
Estimated remaining useful lives of PPE / Depreciation	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.
Estimated remaining useful lives of PPE / Depreciation	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes and the key controls have been assessed as robust.
Estimated remaining useful lives of PPE / Depreciation	8. Were any changes made to the key control activities this year? If so please provide details.	There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	N/A
Estimated remaining useful lives of PPE / Depreciation	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	N/A

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Yes and this is mitigated through the rigorous monthly management reporting.
Accruals	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	We use the standard accruals accounting - accruals are based on expenses incurred that have not yet been invoiced or paid. There were no changes made.
Accruals	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	N/A
Accruals	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data will be dependent on the type of accrual. In other words, accruals will be based on invoices or claims subsequently received. There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	N/A
Accruals	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	This is done through the rigorous monthly management reporting.
Accruals	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes and they have been assessed as robust.
Accruals	8. Were any changes made to the key control activities this year? If so please provide details.	There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	N/A
Accruals	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	N/A

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	We have not identified any risks.
Pension Fund (LGPS) Actuarial gains/losses	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	This is performed by the actuarial expert, Barnett Waddingham. We are not aware of any changes made to these methods or models.
Pension Fund (LGPS) Actuarial gains/losses	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	The nature of these figures forecasting into the future are based on the best information held at the current time and are developed by experts in their field. We assess the assumptions used by the actuary for their reasonableness. We are not aware of any changes made to these assumptions.
Pension Fund (LGPS) Actuarial gains/losses	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data is held by the West Midlands Pension Fund and actuarial data submitted to Barnett Waddingham is audited by the West Midlands Pension Fund's auditors. We are not aware of any changes made to this source data.

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, this is performed by Barnett Waddingham who is procured by the West Midlands Pension Fund.
Pension Fund (LGPS) Actuarial gains/losses	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	This is done via the internal audit performed annually at the West Midlands Pension Fund where its findings are reported at the West Midlands Pensions Board. Additionally, we have employer representatives who attend the West Midlands Pensions Board.
Pension Fund (LGPS) Actuarial gains/losses	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes. Internal audit is performed annually at the West Midlands Pension Fund & its findings are reported to the West Midlands Pensions Board.
Pension Fund (LGPS) Actuarial gains/losses	8. Were any changes made to the key control activities this year? If so please provide details.	We are not aware of any changes.

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	We place reliance on the expertise of those at the West Midlands Pension Fund and its appointed actuary, Barnett Waddingham.
Pension Fund (LGPS) Actuarial gains/losses	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	These are calculated by the actuarial expert, Barnett Waddingham & are contained in the actuarial report.



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