

Informing the audit risk assessment for City of Westminster Pension Fund 2023/24

Name: Grant Patterson
Title: Key Audit Partner
T: +447880456114
E: grant.b.patterson@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the City of Westminster pension fund (WPF) external auditors and the audit and performance 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 Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit and Performance 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 and Performance Committee and supports the Audit and Performance 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 WPF's management. The Audit and Performance 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>Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including the conflict between Russia and Ukraine, and Israel and Gaza. Increased risk to global economic stability and market volatility.</p> <p>Price inflation is more than anticipated in the actuarial assumptions. Inflation continues to remain in the UK and globally due to labour shortages and supply chain issues. CPI inflation was 5.1% as at January 2024, down from the peak of 11.1% in October 2022.</p> <p>The Fund started to draw down into London CIV UK Housing Fund, the Fund's new affordable housing manager.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by WPF? 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>Accounting policies have been reviewed and no changes made during 2023/24. Please see note 3 of the Pension Fund accounts.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes, the Fund holds financial instruments, including pooled equities, long lease property, fixed income, affordable housing, private debt and alternative assets. Please see note 14a of the accounts. There is no use of directly held derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The Fund started to draw down into London CIV UK Housing Fund, the Fund's new affordable housing manager.</p> <p>The Fund transitioned £90m from the active equity managers into the Quinbrook Renewable Infrastructure Fund during July 2023, as per Committees decision at 29 June 2023 meeting.</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
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by WPF during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Eversheds Sutherland – no open litigation or contingencies during 2023/24

General Enquiries of Management

Question	Management response
<p>9. Have any of the WPF'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</p>	<p>Fraud - none in 2023/24. Non-compliance - not aware of any reported instances.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Isio is the Fund's investment adviser. They provided advice, recommendations and consultation on the Fund's performance and strategic asset allocation, including private debt and private equity.</p>
<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</p>	<p>None.</p>

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

As WPF'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 and Performance 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 and Performance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Performance 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 WPF's management.

Fraud risk assessment

Question	Management response
<p>1. Has WPF 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 Westminster City Council Pension Fund has robust policies and procedures are in place which are regularly reviewed to ensure risk of investment loss from fraudulent activity is minimised. Strong governance arrangements and internal controls are in place in respect of the Pension Fund. The Internal Audit team assists in the review and implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).</p> <p>This risk also forms part of the Fund's risk register which is reviewed on a quarterly basis and taken to the Pension Fund Committee for approval. The risk of financial loss as a result of financial activity has been assessed by officers as low level using the Tri-Borough risk management scoring matrix.</p> <p>The Council's Internal Audit function provides a level of assurance over the Pension Fund's activities, including investment records, financial and performance reporting, pensions administration, systems and controls and organisational and management requirements. The most recent internal audit of the Pension Fund investment process took place during November 2022 with the final report issued during February 2023. The Fund was awarded a substantial audit opinion, which is the highest level of assurance possible.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Fund has determined cash investments to be at greatest risk of fraud. However, the Fund has a robust internal control process with regard to authorisation of and transacting payments, including segregation of duties and the approval from two authorised signatories for any transaction.</p>

Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within WPF as a whole, or within specific departments since 1 April 2023? If so, please provide details	No.

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>Any such instances would be reported to the Pension Fund Committee as part of the quarterly update meetings.</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 WPF where fraud is more likely to occur?</p>	<p>The Pension Fund has determined cash investments to be at greatest risk of fraud. However, the Fund has a robust internal control process with regard to authorisation of and making of payments, including segregation of duties and the approval from two authorised signatories for any transaction.</p> <p>The Westminster City Council Pension Fund has robust policies and procedures are in place which are regularly reviewed to ensure risk of investment loss from fraudulent activity is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).</p>
<p>6. What processes do WPF have in place to identify and respond to risks of fraud?</p>	<p>The Westminster City Council Pension Fund has robust policies and procedures are in place which are regularly reviewed to ensure risk of investment loss from fraudulent activity is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).</p> <p>The Council's Anti-Fraud & Corruption Strategy 2020-23 sets out the Council's overall policy on fraud and corruption and states that if fraud, corruption or any misconduct directed against the Council is suspected, this should be reported immediately. The Council's strategy aligns to the national strategy published by the Local Government Association (LGA).</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for WPF, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness 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)? If so, please provide details</p>	<p>The Westminster City Council Pension Fund has robust policies and procedures are in place which are regularly reviewed to ensure risk of investment loss from fraudulent activity is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).</p> <p>This risk also forms part of the Fund's risk register which is reviewed on a quarterly basis and taken to the Pension Fund Committee for approval. The risk of financial loss as a result of financial activity has been assessed by officers as low level, using the Tri-Borough risk management scoring matrix.</p> <p>The Council's Internal Audit & Corporate Anti-Fraud Service reviews policies, procedures and governance arrangements across the Council's Services and promotes a culture of zero tolerance in respect of fraud, corruption and mismanagement. Fraud awareness training is available to service areas where a need has been identified and a fraud internet page informs staff of emerging fraud risks, encourages fraud reporting, and to maintain awareness. The most recent internal audit of the Pension Fund investment process took place during November 2022 with the final report issued during February 2023. The Fund was awarded a substantial audit opinion, which is the highest level of assurance possible.</p> <p>The Fund has a robust internal control process in regard to authorisation of and making payments, including segregation of duties and the approval from two authorised signatories for any transaction.</p> <p>There are no areas for potential override of controls or inappropriate influence.</p>

Fraud risk assessment

Question	Management response
8. Are there any areas where there is potential for misreporting? If so, please provide details	No knowledge of any misreporting.

Fraud risk assessment

Question	Management response
<p>9. How does WPF 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>The Council's Internal Audit and Corporate Anti-Fraud Service reviews policies, procedures and governance arrangements across the Council's Services and promotes a culture of zero tolerance in respect of fraud, corruption and mismanagement. Fraud awareness training is available to service areas where a need has been identified and a fraud internet page informs staff of emerging fraud risks, encourages fraud reporting and to maintains awareness.</p> <p>Staff are encouraged and expected to raise any concern that they may have, without fear of recrimination. Any concerns raised will be treated in the strictest confidence and will be properly investigated. The Council publicises a clear Whistleblowing Policy aimed to encourage those who work for the Council and have serious concerns about any aspect of the Council's work, to come forward and report their concerns at the earliest opportunity; so that they can be properly investigated. Fraud awareness training is usually provided when issues are identified in areas requiring further advice and guidance, identified during audits or fraud reviews For example, we have provided bespoke e-learning fraud awareness to Planning and Housing Management and Leaseholder Services.</p> <p>Accounting staff are members of an accredited accounting body, which requires members to abide by the body's code of ethics and complete the necessary hours of CPD during the year.</p> <p>Staff are made aware of policies, including on whistleblowing and ethical governance and reporting, and encouraged to speak up if they suspect or have a concern regarding potential wrongdoing. Officers are able to raise concerns by using a confidential external whistleblowing hotline and are encouraged to seek independent advice from trade unions.</p> <p>Staff are encouraged to report concerns covering criminal offences (for example, types of financial impropriety such as fraud or sexual assault), failure to comply with an obligation set out in law (for example, any form or discrimination, bullying and harassment or victimisation), miscarriages of justice (i.e. corruption, bribery, etc.), endangering of someone's health and safety, damage to the environment and covering up wrongdoing in the above categories.</p> <p>No significant issues have been reported during the year.</p>

Fraud risk assessment

Question	Management response
<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>There are not any significantly high-risk posts identified, although any managerial or supervisory post with the ability to override controls is a fraud risk and therefore management override is something that is reviewed during audits and pro-active fraud risk assessments.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related parties or related party transactions which have not been disclosed.</p> <p>Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Performance Committee?</p> <p>How does the Audit and Performance 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 outcome of internal audit reviews and counter fraud activity is reported to the Audit and Performance Committee, together with the details on the implementation of internal audit recommendations. Significant issues are brought to the attention of the Committee who may request management to provide a response on specific issues.</p> <p>The Council's Internal Audit function provides a level of assurance over the Pension Fund's activities, including investment records, financial and performance reporting, pensions administration, systems and controls and organisational and management requirements. The most recent internal audit of the Pension Fund investment process took place during November 2022 with the final report issued during February 2023. The Fund was awarded a substantial audit opinion, which is the highest level of assurance possible.</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>The Council publicises a clear Whistleblowing Policy aimed to encourage those who work for the Council and have serious concerns about any aspect of the Council's work, to come forward and report their concerns at the earliest opportunity; so that they can be properly investigated. Since April 2022, the Corporate Anti-Fraud Service has received just one new protected disclosure raising concerns. Following investigation, evidence was obtained that showed there was no case to answer. This information was fed back to the whistleblower and the matter closed.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No reports have been made.</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 and Performance Committee, is responsible for ensuring that WPF'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 and Performance 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 WPF 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>Regulatory and compliance risks are assessed as part of the Pension Fund's risk register, which is reviewed every quarter and taken to the Pension Fund Committee for approval. The Fund maintain links with central government and national bodies to keep abreast of national issues and responds to all consultations and lobby's as appropriate to ensure consequences of changes to legislation are understood.</p> <p>Executive Directors, including the Tri-Borough Director of Treasury and Pensions, are authorised to exercise their powers and duties of the Council in relation to the service and activities for which they are responsible and to exercise the professional and managerial responsibilities of their posts. Accordingly, officers may exercise only the powers delegated to them and these are exercisable subject to the strategies, policies, and priorities determined by the members of the Council, and reflected in the Council's Financial Regulations, Procurement Code and Human Resources Policies. Officers must comply with the law, all policies, regulations, orders, codes, protocols, and similar documents approved by the Council, Cabinet, the Standards Committee/Regulatory Committee.</p> <p>All legal advisers in Legal Services benefit from a subscription to Westlaw and Practical Law to ensure that they keep up to date with legislative changes, case law and other legal developments. Specialist advisers also have access to a number of specialist online legal subscriptions. In relation to follow up work it is the responsibility of the department to follow any advice Legal Services gives rather than one for the legal department. If drawn to officer attention or if a problem is identified, it will be raised. The Pension Fund also contracts an external legal adviser, Eversheds Sutherland, to advise on specific regulations relating to employers of the Fund, including bond guarantees, and provision of advice on the legal wording during due diligence of an investment management contract.</p>

Impact of laws and regulations

Question	Management response
	<p>In relation to detection of non-compliance, the Council's Financial Regulations outline how the Executive Director of Finance and Resources must ensure an effective internal audit function and is responsible for reviewing financial and management systems and controls throughout the Council, including management of the Pension Fund. The S151 officer has a duty to act if fraud or corrupt practices are suspected/detected and works with the Tri-Borough Director of Audit, Fraud, Risk and Insurance in reporting to the Audit and Performance Committee on any relevant matter relating to the Council's financial controls. The Council's Executive Director of Finance & Resource is also responsible for developing, reviewing and maintaining an anti-fraud and anti-corruption policy including whistleblowing, and for advising on effective systems of internal control to prevent fraud and corruption. We understand that the following relevant changes to the regulatory environment are identified:</p> <p>LGPS pooling Regulations. The updated regulations are still pending, following the consultation during Summer 2023.</p> <p>TCFD Reporting. The Pension Fund responded to the DLUHC guidance on climate reporting in November 2022. The guidance has been delayed, with the first reporting cycle now anticipated to be December 2026.</p> <p>TPR has issued a new Single Code of Practice, which sets out proposed new governance standards for pension schemes and combines the 10 existing codes.</p> <p>The Fund is not aware of anything else in the regulatory environment or in relation to non-compliance which may have a significant impact on the financial statements of the Pension Fund.</p>

Impact of laws and regulations

Question	Management response
2. How is the Audit and Performance Committee provided with assurance that all relevant laws and regulations have been complied with?	All decisions are taken to the Pension Fund Committee for approval and scrutiny, including the Pension Fund accounts.
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	None known.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No

Impact of laws and regulations

Question	Management response
5. What arrangements does WPF have in place to identify, evaluate and account for litigation or claims?	Legal Services has a High Risk Register of cases updated by fee earners with conduct of high value financial claims (over £50,000), claims involving potential risk to the Council's reputation or cases which may be politically sensitive all of which could attract media publicity. The conduct of these cases is discussed with fee earners by Principal Solicitors during 1 to 1 meetings with fee earners every 6 weeks.
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	The Fund is not aware of any non-compliance matters.

Related Parties

Matters in relation to Related Parties

WPF 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 WPF;
- 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 WPF's 2023/24 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and WPF • whether WPF has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>The Director of People Services left the Council during 2023/24.</p>
<p>2. What controls does WPF have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All Councillors, ELT members and senior finance staff are requested to submit all related party relationships. If they have none an email confirming is filed as part of Audit. Following a RP disclosure a review of all intercompany transactions takes place.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Pension Fund uses member registers of interests and declarations from key officers in order to determine any relevant 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>All significant decisions are taken to the Pension Fund Committee for approval, as per the scheme of delegation.</p>

Going Concern

Matters in relation to Going Concern

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

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

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government 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 WPF will no longer continue?	The accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.
2. Are management aware of any factors which may mean for WPF that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	n/a to Pension Fund
3. With regard to the statutory services currently provided by WPF, does WPF 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 WPF to cease to exist?	n/a to Pension Fund
4. Are management satisfied that the financial reporting framework permits WPF 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?	The Pension Fund Accounts are prepared on a going concern basis, with the assumption that the functions of the authority will continue in operational existence for the foreseeable future. The Westminster City Council Pension Fund remains a statutory, open scheme, with a strong covenant from the active employers and is therefore able to take a long term outlook when considering the general investment and funding implications of external events.

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>Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.</p> <p>The Pension Fund contains investments in infrastructure, private debt and renewables infrastructure that are classified within the financial statements as Level 3 investments. These funds are valued according to non-exchange based market valuations. As a result of this, the final realised value of those funds may differ slightly from the valuations presented in the accounts.</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.</p>
<p>2. How does the pension fund's risk management process identify and address risks relating to accounting estimates?</p>	<p>It is the view of the Section 151 officer that estimates made within the Statement of Accounts are consistent with the CIPFA Pension Fund Accounting Code of Practice and are both prudent and reasonable.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Re the Accounting Policies, please see note 3 of the Pension Fund accounts, which set out the specific principles, rules and practices applied by the Authority in preparing and presenting the financial statements. These are approved each year by the Audit Committee.
4. How do management review the outcomes of previous accounting estimates?	Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No changes in 2023/24.

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 professional judgement of the experts such as Hymans Robertson, the Fund's actuary, are used to identify the need for accounting estimates in the liability valuation process.</p> <p>The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.</p> <p>Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.</p>
<p>7. How does the pension fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>In applying the accounting policies set out in Note 3, the Fund has to make certain critical judgements about complex transactions or those involving uncertainty about future events.</p> <p>The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS19. These assumptions are summarised in Note 16. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<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>Accounting policies have been reviewed and no changes during 2023/24, please see note 3 of the Pension Fund accounts.</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>Please see notes 4 and 5 of the Pension Fund accounts.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No such events or transactions. The professional judgement of the experts such as Hymans Robertson, the Fund's actuary, are used to identify the need for accounting estimates.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Audit and Performance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	All decisions are taken to the Pension Fund Committee for approval and scrutiny, including the Pension Fund accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	Officers challenge methods provided if required and agree reasonableness of estimates. The Strategic Investment Manager may ask for confirmation of any significant movements in valuation assumptions, and the reasons why.	Yes – Actuary Hyman Robertsons	<p>Actuary using financial assumptions that comply with IAS26.</p> <p>The structure of the liabilities is substantially the same as at the latest formal valuation.</p> <p>CPI assumption. Salaries are assumed to increase at 1.0% p.a. above CPI</p> <p>Sensitivity analysis on major assumptions (appendix 3 IAS 26)</p>	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 2 investments	Where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.	Officers maintain constant dialogue with the custodian and fund managers. Monitoring of asset valuations forms part of the quarterly performance report which is taken to Pension Fund Committee every quarter. The Fund takes professional advice in relation to investments/asset allocation in response to the funding level.	The Pension Fund contracts the custodian, Northern Trust, to undertake accounting notes for the Fund, this includes levelling. Officers also liaised with the Fund Managers on the levelling process and the most appropriate classification for that asset class.	Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	<p>Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in. These funds are valued according to non-exchange based market valuations. As a result of this, the final realised value of investments may differ slightly from the valuations presented in the accounts.</p>	<p>Officers maintain constant dialogue with the custodian and fund managers. Monitoring of asset valuations forms part of the quarterly performance report which is taken to Pension Fund Committee every quarter. The Fund takes professional advice in relation to investments/asset allocation in response to the funding level.</p>	<p>The Pension Fund contracts the custodian, Northern Trust, to undertake accounting notes for the Fund, this includes levelling. Officers also liaised with the Fund Managers on the levelling process and the most appropriate classification for that asset class.</p>	<p>Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.</p>	No



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