



# Informing the audit risk assessment for Merseyside Pension Fund 2020/21

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## Purpose

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

## Background

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

This two-way communication assists both the auditor and the Pensions 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 Pensions Committee and supports the Pensions 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 Fund'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 Merseyside Pension Fund's management. The Pensions 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><b>COVID19</b>            Covid19 had an impact on investment valuations at the beginning of the financial year, with volatility in financial markets, however, Fund valuations during the financial year have recovered from that reported at the last year end and the value of the Fund as at 31 March 2021 is £9.9 bn (PY £8.6 bn).            The direct property valuation was reported on the basis of “material valuation uncertainty” in 2019/20, however, this uncertainty is not reported by the property valuer on the valuation for 2020/21.            Investment income and in particular property rental income reduced in 2020/21, with local and national lockdowns affecting revenues and profitability.            MPF quickly moved its operations and staff to remote working at the beginning of the pandemic with a limited number of staff attending the office, however, there has been no significant impact upon the financial statements.</p> <p><b>Contributions</b>            A number of our employers paid their contributions upfront for a 3 year period at the beginning of 2020/21, consequently contribution income for 2020/21 will be significantly higher than for the previous year.</p> <p><b>Property Rental Income</b>            MPF switched from quarterly to monthly accounting rental statements from CBRE during 2020/21 and is now accounting for rent as demanded and therefore due in the financial year. This has resulted in additional rent demanded being accounted for in 2020/21, an explanation to set out and quantify the amounts involved will be included within the accounts.</p>

## General Enquiries of Management

Question	Management response
<p>2. Have you considered the appropriateness of the accounting policies adopted by Merseyside Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Accounting policies adopted by MPF have been reviewed and are considered appropriate.</p> <p>There has been a change in accounting policy for rental income. The Fund has moved to monthly accounting for rent statement during 2020/21 and now accounts for rent demanded in the financial year.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>The Fund uses derivative financial assets to manage exposure to specific risks arising from its investment activities.</p> <p>Forward currency contracts are used by a number of our external Investment Managers to hedge exposures to foreign currency back into sterling to manage FX risk.</p> <p>Equity option contracts are used by the Fund to protect it from falls in value in its main investment markets.</p> <p>Total return swap contracts are used by the Fund to rebalance the investment portfolio to manage investment exposure.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>None</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?	None
6. Are you aware of any guarantee contracts?	None
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	None
8. Other than in house solicitors, can you provide details of those solicitors utilised by Merseyside Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>External solicitors are used for investment related activities, for example, rent reviews and new property lettings as well as legal documents in relation to private market assets. During 2020/21, MPF used the following external solicitors appointed using procurement frameworks:</p> <ul style="list-style-type: none"> <li>Brabners</li> <li>DWF</li> <li>Pinsent Masons</li> <li>Gowling</li> <li>Osbourne Clarke</li> </ul>



## General Enquiries of Management

Question	Management response
9. Have any of the Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Aon Hewitt – Strategic Investment Consultant  Mercer – Actuary Services  CBRE Capital Advisors – Strategic Property Advisors  CBRE Asset Services – Property Management  Pensions Investments Research Consultants – Responsible Investment  Lexlea – Independent Investment Advisor  Tatton Consulting Services – Independent Investment Advisor</p>

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

As Merseyside Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Pensions 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 Pensions Committee oversees the above processes. We are also required to make inquiries of both management and the Pensions 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 Merseyside Pension Fund's management.

## Fraud risk assessment

Question	Management response
<p>1. Have the Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Fund's risk management processes link to financial reporting?</p>	<p>Yes, none identified.</p> <p>Regular risk assessments are undertaken at MPF including the risk of fraud, with significant risks documented within the risk register, which is formally reviewed every 6 months and reported to the Governance &amp; Risk Working Party and Pensions Board. The risk register is also a standing agenda item at the monthly management meeting (FOG).</p> <p>A robust control environment exists at MPF, with strong and effective internal controls (structure, SOD, authorisation etc) to mitigate risks, these are documented within procedures, work flows, compliance manual and evidenced by the internal audit reports.</p> <p>MPF has an agreed SLA with Internal Audit with 150 audit days assigned to the Fund, in recognition of the complexities of a large Pension Fund. Management regularly request new systems/processes to be reviewed by internal audit to independently assess and ensure a robust control environment is maintained.</p> <p>MPF ensure there is appropriate operational due diligence on appointment and ongoing monitoring programme of external investment management mandates. There is an ongoing review of AAF106 assurance reporting on internal controls for service organisation used by MPF.</p> <p>MPF staff undertake the corporate fraud awareness training.</p> <p>A robust budget monitoring process is in place.</p>

## Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Investments                      Transfers out                      Accounts payable                      However, as stated above, the Fund has robust internal controls and considers the risk of fraud to be low.</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 Merseyside Pension Fund as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No</p> <p>Management communicate to those charged with governance through various reports to GRWP, IMWP, Pensions Committee &amp; Pensions Board. The risk register is presented to GRWP and Pensions Board. The Chief Internal Auditor prepares an annual report on MPF's control environment and activities at MPF and presents this along with the audit plan to GRWP and Pensions Board.</p>
<p>4. Have you identified any specific fraud risks?  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within Merseyside Pension Fund where fraud is more likely to occur?</p>	<p>No, however, there is an inherent risk of fraud in all pension schemes. The Pensions Regulator identifies and the Fund continues to be concerned about pension scams and cyber-security. Fund practices continue to be strengthened and monitored; these are inherent sector risks rather than MPF specific risks.</p>
<p>5. What processes do Merseyside Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>MPF has a robust internal control environment including separation of duties to mitigate fraud risks. Temporary moratorium on Transfers from April 2020 – July 2020 in line with TPR advice. Participation in the National Fraud Initiative A comprehensive internal audit plan for MPF under the agreed SLA.</p>

## Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Merseyside Pension Fund, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The overall control environment is assessed as being robust. This is concluded from management reviews, and assurances gained from outcomes of internal and external audit work.</p> <p>Internal Audit reports throughout 2020/21 have found that there is a sound system of control in place, and that those controls are consistently applied and fully effective with no significant weaknesses identified. The management team at MPF continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales.</p> <p>Policies and procedures are determined to ensure there is a robust control environment to help prevent, deter or detect fraud</p> <p>There are no areas where controls may be overwritten or inappropriate influence over the financial reporting processes to achieve finance targets.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No areas identified.</p>

## Fraud risk assessment

Question	Management response
<p>8. How do Merseyside Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The culture and ethical framework at Wirral Council mean that all forms of fraud are seen as unacceptable. Staff are encouraged to report to senior managers any concerns they have or anything unusual.</p> <p>Wirral Council and MPF policies and procedures, employee code of conduct, Whistleblowing Policy, team meetings, Senior Manager briefings, inductions, intranets, Procurement rules and procedures (CPRs)</p> <p>Many officers are members of professional bodies who also have ethical and professional standards that must be adhered to.</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>There are no posts considered to be high risk from a fraud and corruption perspective due to the internal control framework in place.</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>None identified in declarations received.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Pensions Committee? How does the Pensions Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>In assisting the Scheme Manager, the Pension Board has a role in reviewing the Fund's governance arrangements, the control environment, policies and practices which includes fraud issues and risks. There is a Governance &amp; Risk Working Party that all members of Pensions Committee are part of, that meets twice yearly. The risk register is reported to GRWP. The Chief Internal Auditor prepares an annual report on MPF control environment and activities at MPF and the audit plan for the following year and presents this to GRWP, members of Pensions Committee has direct access to the Chief Internal Auditor and can ask questions of audit or management. This report will be presented to a future GRWP for 2020/21.</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>None.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None.</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 Pensions Committee, is responsible for ensuring that Merseyside Pension Fund's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Pensions 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 Merseyside Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Fund's regulatory environment that may have a significant impact on the Fund's financial statements?</p>	<p>Robust policies and procedures with a strong internal control environment. Additional assurances obtained by the Internal Audit plan.</p> <p>The Pensions Regulator has a regulatory oversight role for LGPS and MPF is required to undertake a compliance review of compliance with Number 14 Code of Practice.</p> <p>In assisting the Scheme Manager, the Pension Board has a role in reviewing the Fund's governance arrangements, the control environment, policies and practices.</p> <p>No regulatory changes are anticipated to have a significant impact on the Fund's financial statements</p>
<p>2. How is the Pensions Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Regular reports are taken to Pensions Committee and working parties. The Chair of Pensions Board reports to Pensions 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>There have not been any instances of non-compliance with laws and regulations since 1 April 2020 with an on-going impact on the 2020/21 financial statement.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does Merseyside Pension Fund have in place to identify, evaluate and account for litigation or claims?	Actual or potential litigation or claims would be reported to management team meeting and to those charged with governance. Legal and other professional advice would be sought as required.
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

Merseyside Pension Fund 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 Merseyside Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the 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 Fund, or of any entity that is a related party of the 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 Fund's perspective but material from a related party viewpoint then the 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 Merseyside Pension Fund's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Merseyside Pension Fund</li> <li>• whether Merseyside Pension Fund has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>There have been no changes to related parties.</p>
<p>2. What controls does Merseyside Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All Members of Pensions Committee and Local Pensions Board are required to complete an annual declaration. Senior Officers of the Fund and all investment team officers are required to complete an annual declaration. All declarations received are assessed for inclusion within the financial statements related party note.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All Fund activities and transactions are in accordance with Wirral Council and MPF policies and procedures, including Scheme of delegation, contract procedures rules, MPF's compliance manual and conflicts of interest policy.</p>

## Related Parties

Question	Management response
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	All Fund activities and transactions are in accordance with Wirral Council and MPF policies and procedures, including Scheme of delegation, contract procedures rules, MPF's compliance manual and conflicts of interest policy.

# 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 Pensions 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 Pensions Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The identification of transactions, events and conditions begins with an assessment of the existing accounting estimates. These are re assessed and revised for the year that is being closed. The requirement for new estimates are identified through the closedown process by on-going assessment of accruals with team members and assessment of external plus internal financial influences and factors.</p> <p>The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice.</p> <p>Private Equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The IPEV Board issued additional guidance as at 31 March 2020 given the magnitude of the COVID19 crisis, accompanied by the significant uncertainty.</p> <p>Hedge Funds are valued at the sum of the fair values provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>



## Accounting Estimates - General Enquiries of Management

Question	Management response
1. Continued	Direct property and pooled property funds use valuation techniques to determine the carrying amount. Where possible these valuations are based on observable data, but where this is not possible, management uses the best available data. For 2020/21 the property valuation is not reported as being subject to "material valuation uncertainty" as defined by VPS 3 and VPGA 10 of the RICS valuation - Global Standards. In 2019/20, due to COVID-19, the property valuation was reported on the basis of 'material valuation uncertainty' and stated consequently, less certainty, and a higher degree of caution should be attached to the valuation than normally would be the case.
2. How does the pension fund's risk management process identify and addresses risks relating to accounting estimates?	The Fund's Finance team review accounting estimates to ensure they are reasonable. The Fund's Finance team and Investments team review through ongoing due diligence and monitoring of Fund investments to ensure Fund investment valuations have been prepared following proper practices.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>The Fund's Finance team review accounting estimates to ensure they are reasonable during the planning stages of year end.</p> <p>The Fund's Finance team and Investments team review through ongoing due diligence and monitoring of Fund investments to ensure Fund investment valuations have been prepared following proper practices.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
4. How do management review the outcomes of previous accounting estimates?	The Funds Finance team and Investments team review through ongoing due diligence and monitoring of Fund investments to ensure Fund investment valuations have been prepared following proper practices. Internally prepared estimates are reviewed against actuals once known and consideration given to any changes required for preparing future estimates.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No changes were considered necessary.

## 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>Property valuations are undertaken by independent Valuers appointed under CPRs where skill and knowledge have been evaluated.</p> <p>Unquoted investment assets in which MPF invests, undergo a rigorous due diligence process by the Fund's Investment Team to reach the decision to invest. The internal investment team continues to undertake ongoing monitoring of these Funds through the life of the investment.</p> <p>Internal estimates are undertaken by senior officers at the Fund, whose skills and knowledge have been assessed on appointment and hold relevant professional qualifications, as required.</p>
<p>7. How does the Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The Fund's Finance team and Investments team review through ongoing due diligence and monitoring of Fund investments to ensure Fund investment valuations have been prepared following proper practices. Any concerns will be raised with service providers.</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>The Fund's Finance team and Investments team review through ongoing due diligence and monitoring of Fund investments to ensure Fund investment valuations have been prepared following proper practices.</p> <p>All assurance reports on internal controls are reviewed by Fund officers when/if available; any concerns will be raised will service providers.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"><li>- Management's process for making significant accounting estimates</li><li>- The methods and models used</li><li>- The resultant accounting estimates included in the financial statements.</li></ul>	<p>Please see question 1 response.</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.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes reviewed and considered reasonable.
12. How is the Pensions Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Set out in this document and reported to Pensions Committee. Previous arrangements considered reasonable and adequate, with no previous issues reported for example by external or internal audit.

## 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?
Unquoted Equity	Unquoted equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	For unlisted investments wherever possible valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.	Custodian and Fund Managers.	The Fund's Investment Consultants have provided the Fund with their assessment of the potential variance.	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?
Direct Property	Valued at fair value at the year end using independent external Valuers in accordance with the royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (the RICS Red Book).	Management discuss and agree assumptions to be used and inputs into the valuation process.	External Independent Property Valuer.	The Fund's Investment Consultants have provided the Fund with their assessment of the potential variance.	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?
Pooled Investments – Hedge Funds and Infrastructure	Hedge Funds are valued at the sum of the fair values provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	For unlisted investments wherever possible valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.	Custodian and Fund Managers	The Fund's Investment Consultants have provided the Fund with their assessment of the potential variance.	No





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