

# Audit & Standards Committee

10 March 2016

## Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **10 March 2016** at **10.00 a.m.**

### 1. General

#### (1) Apologies

#### (2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests.

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with.
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the new Code of Conduct. These should be declared at the commencement of the meeting.

#### (3) Minutes of the Audit and Standards Committee meeting held on 7<sup>th</sup> January 2016 and Matters Arising

### 2. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

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The public reports referred to are available on the Warwickshire Web  
[www.warwickshire.gov.uk/cmis](http://www.warwickshire.gov.uk/cmis)

**‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’.**

#### **EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS).**

- 3. Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 7<sup>th</sup> January 2016**
- 4. Internal Audit Progress Report**

#### **REPORTS TO BE CONSIDERED IN PUBLIC**

- 5. External Auditors Report – Audit & Standards Committee Update**
- 6. External Auditors Report - 2015/16 Warwickshire County Council Audit Plan**
- 7. External Auditors Report - 2015/16 Warwickshire County Council Pension Fund Audit Plan**
- 8. External Auditors Report - Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2015/16**
- 9. Warwickshire County Council – Changes to Accounting Policies**
- 10. S106 Processes and Funds**
- 11. Adult Social Care - Update on Case File Audits**
- 12. Work Programme and Future Meeting Dates**

To note the work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- Thursday 23<sup>rd</sup> June 2016
- Thursday 8<sup>th</sup> September 2016
- Thursday 3<sup>rd</sup> November 2016

- 13. Any Other Business**

## **Membership of the Audit and Standards Committee**

**Councillors:** John Beaumont, Bill Gifford, John Horner, Chris Saint, Bob Stevens and June Tandy.

**Independent Members:** John Bridgeman CBE (Chair) and Bob Meacham OBE

For queries regarding this agenda, please contact:

Ben Patel-Sadler, Democratic Services Officer

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**Jim Graham  
Chief Executive  
Warwickshire County Council  
March 2016**

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The public reports referred to are available on the Warwickshire Web

[www.warwickshire.gov.uk/cmis](http://www.warwickshire.gov.uk/cmis)



**Minutes of the meeting of the Audit and Standards Committee  
held on 7<sup>th</sup> January 2016**

**Present**

**Members:**

Councillor John Beaumont  
Councillor Bill Gifford  
Councillor John Horner  
Councillor Chris Saint  
Councillor Bob Stevens

**Independent Members:**

John Bridgeman CBE (Chair)  
Bob Meacham OBE

**Officers:**

John Betts, Head of Finance  
David Carter, Strategic Director Resources Group  
Sarah Duxbury, Head of Law and Governance  
Ben Patel-Sadler, Democratic Services Officer  
Garry Rollason, Chief Risk and Assurance Manager

**External Representatives:**

John Gregory, Grant Thornton - Auditors  
Grant Patterson, Grant Thornton - Auditors  
Andrew Reid, Grant Thornton – Auditors

**Members of the public:**

None

**Observers:**

None

## **1. General**

### **(1) Apologies**

Apologies for absence were received from Councillor June Tandy.

### **(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests**

Councillor Gifford declared a non-pecuniary interest; the nature of the interest being that he was a District Councillor.

### **(3) Minutes of the meeting of the Audit and Standards Committee held on 9<sup>th</sup> September 2015**

Sarah Duxbury (Head of Law and Governance) informed the Committee that a briefing paper was being prepared by Janet Neale (Infrastructure Delivery Manager) in relation to Section 106 Agreements – this would be circulated to members in the near future. Members requested that Janet Neale attend the March 2016 meeting of the Audit and Standards Committee to provide additional information on Section 106 Agreements.

It was agreed that the minutes be signed by the Chair as a true and accurate record of the meeting.

## **2. Reports Containing Confidential or Exempt Information**

Councillor Horner proposed (seconded by Councillor Stevens) and it was resolved that members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

### **EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)**

## **3. Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 9<sup>th</sup> September 2015**

## **4. Internal Audit Progress Report**

## **REPORTS TO BE CONSIDERED IN PUBLIC**

### **5. External Auditors Annual Audit Letter 2014/15**

John Gregory (Grant Thornton – Auditors) introduced the report and informed the Committee that Grant Patterson (Grant Thornton – Auditors) would be taking over External Audit responsibilities for the Audit and Standards Committee in the near future. Regulations dictated that the External Auditors were required to change their portfolios of work after a set period of time – John Gregory had now reached this point in relation to his work with Warwickshire County Council and would be taking on a new portfolio of work.

Members noted that the Annual Audit Letter of the External Auditors provided a very positive, certified opinion.

The Committee wished to place on record its thanks to all of the staff involved with the 2014/15 annual audit and to thank John Gregory for all of his work during the several years he had worked with the Council. John Gregory informed the Committee that the Council had taken many positive steps over the past several years and was in a good position to deal with future challenges.

The Audit and Standards Committee noted the contents of the Annual Audit Letter of the External Auditors.

### **6. External Auditors Report – Audit and Standards Committee Update**

Andrew Reid (Grant Thornton – Auditors) introduced the report which provided the Committee with information relating to the progress made by the External Auditors in delivering their responsibilities. The report also provided a summary of emerging national issues and developments and a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members noted that the information contained within this report had been provided in hard copy to senior officers within the Council for their consideration.

Andrew Reid informed the Committee that it was good practice for an Audit Committee to meet on an annual basis to evaluate and assess the work which it had completed over the previous year. Internal Audit and the Council's External Auditors could provide the relevant information to the Committee who could then review it during the meeting. The report produced after this meeting could then be used to inform the wider Council on the work of the Audit and Standards Committee.

The Committee expressed a view that they would be keen to undertake this work. It was agreed that the best time to facilitate this meeting would be after the next Annual Governance Statement was issued.

The Audit and Standards Committee noted the contents of the External Auditors Report.

**7. Work Programme and Future Meeting Dates**

The Committee noted that a report would be presented in relation to the Council's appointment of its External Auditors (likely to be in 2017).

The Audit and Standards Committee noted the Work Programme and future meeting dates.

**8. Any Other Business**

None

The Committee rose at 11.20 am

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Chair



## Audit & Standards Committee

10 March 2016

### External Auditors Report – Audit & Standards Committee Update

#### Recommendation

The Audit and Standards Committee is asked to consider and make any comments on the Warwickshire County Council Audit & Standards Committee Update Report from the External Auditors, attached at **Appendix A**.

#### 1.0 Purpose of the Report

- 1.1. The purpose of this report is for our external auditors to provide a report to inform the Council's Audit and Standards Committee of their progress in delivering our responsibilities as our external auditors. The report also includes a summary of emerging national issues and developments and a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.
- 1.2. The Audit and Standards Committee is asked to consider and make any comments on the Warwickshire County Council Audit & Standards Committee Update Report from the External Auditors, attached at **Appendix A**.

#### 2.0 Background Papers

None.

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#### Local Members consulted

Not applicable

#### Other Members consulted

None



# Audit Committee Update

## Warwickshire County Council

Year ended 31 March 2016

18 February 2016

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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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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Knowing the ropes: Audit Committee effectiveness review
- Reforging local Government: financial health and governance review 2015

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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# Progress at 18 February 2016

Work	Planned date	Complete?	Comments
<p><b>2015-16 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p>	March 2016	Yes	Included on agenda for March meeting of the Audit and Standards Committee.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	January – March 2016	No	<p>Initial interim planning visit completed in January 2016.</p> <p>Follow on interim visit planned to be undertaken w/c 7 March 2016</p>
<p><b>2015-16 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council 's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June – July 2016	No	<p>Onsite work due to commence w/c 13 June 2016.</p> <p>Date for clearance meeting with Head of Finance agreed as 18 July 2016.</p>

# Progress at 18 February 2016

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2015/16 VfM conclusion has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015.</p> <p>Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion: <i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i></p> <p>To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties.</li> </ul> <p>We will be required to report by exception if we conclude that we are not satisfied that the Council has in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p>	<p>January – July 2016</p>	<p>No</p>	<p>The guidance and supporting information includes:</p> <ul style="list-style-type: none"> <li>• the legal and professional framework;</li> <li>• definitions of what constitute 'proper arrangements';</li> <li>• guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified;</li> <li>• evaluation criteria to be applied;</li> <li>• reporting requirements;</li> <li>• CCG specific guidance.</li> </ul> <p>The guidance is available at <a href="https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/">https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</a></p> <p>Now that the finalised auditor guidance is available, we will carry out an initial risk assessment to determine our approach and share the results of this risk assessment with you.</p> <p>Our work will be reported in the Audit Findings Report presented to the September meeting of the Audit Committee.</p>



# Reforging local government: Summary findings of financial health checks and governance reviews

## Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.

Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.



Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.

# CFO Insights– driving performance improvement

## Grant Thornton and CIPFA Market insight

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We are happy to organise a demonstration of the tool if you want to know more.



# CIPFA reports and publications

## Local Government Issues

### Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1<sup>st</sup> April 2017 and larger local government bodies a year later, on 1<sup>st</sup> April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31<sup>st</sup> December 2016 and larger principal authorities by 31<sup>st</sup> December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

### Better Care Fund

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Healthcare Financial Management Association (HFMA) have issued a joint report examining the progress that has been made six months into the implementation of the government's £5.3bn Better Care Fund (BCF) arrangements. While the report points out that the fund has already begun to produce improved working relationships between NHS bodies and local public services, it highlights that more needs to be done to ensure the success of the BCF. The report is based on the results of a CIPFA and HFMA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites, and is available from the CIPFA website - <http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape>.

# Accounts - public rights of inspection and challenge

## Local Government issues: National Audit Office

### Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

### Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place *until after the conclusion of the period for the exercise of public rights*. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15<sup>th</sup> July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

# The Care Act and New Burdens

## Local Government Issues: Public Accounts Committee Report

Further to the NAO reports on *Care Act first-phase reforms* and *Local government new burdens* both published in June 2015, and the hearing of the Public Accounts Committee (PAC) in October 2015 on the combined topics, the PAC has now published its report on the matter. The PAC report considers the additional cost burdens on, and uncertainty for, local councils. It also considers the government's ability to identify and respond to councils that are struggling.

Its main findings are as follows:

- following the decision to delay the second phase of the Care Act, there are concerns that people will have to pay more for their care for longer before the cap on care costs is implemented. However, as the government have announced that they will not claw back the £146m of funding that it provided to councils in 2015/16 to prepare for the second phase, local authorities will not have the financial burden that was anticipated
- the DCLG have failed to adequately identify and assess new burdens on local authorities and consider their impact, creating significant uncertainty for local authorities. Councils are faced with 'unfunded pressures' which are making it 'more difficult for them to meet their statutory duties and will increase pressure on council tax'
- The report calls for the Spending Review and annual finance settlements for local authorities to 'take full account of the many cost pressures local authorities face, whether or not they meet the government's definition of a new burden'. Funding must be monitored to ensure that vulnerable people do not lose out

The full report can be found at <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/publications/>

# Results of auditors' work 2014/15

## Public Sector Audit Appointments

Following the closure of the Audit Commission on 31<sup>st</sup> March 2015, Public Sector Audit Appointments (PSAA) became responsible for appointing auditors to local Government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. The Audit Commission previously published Auditing the Accounts reports for Local Government bodies covering the 2012/13 and 2013/14 financial years. The reports summarised the results of the work of auditors appointed by the Commission at local bodies. This is the first such report published by PSAA, and it summarises the results of auditors' work at 509 principle bodies and 9,755 small bodies. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies, according to Public Sector Audit Appointments Limited's *Report on the results of auditors' work 2014/15: Local government bodies*.

- for principal bodies, auditors at 345 of 356 councils (97 per cent) were able to issue the opinion on the accounts by the statutory accounts publication date of 30<sup>th</sup> September 2015.
- 97 per cent of police bodies and fire and rescue authorities also received the audit opinion by 30<sup>th</sup> September 2015.
- for the second year in a row there have been no qualified opinions issued to date to principal bodies.
- the number of qualified conclusions on value for money arrangements has remained consistent with the previous year at 4 per cent (17 councils, one police body and one fire and rescue authority).

# IFRS 13 'Fair value measurement'

## Accounting and audit issues

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local authorities need to:

- identify/ review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.

# Highways Network Asset

## Accounting and audit issues

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset from 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available.



# Better Care Fund

## Accounting and audit issues

The Better Care Fund was launched on 1 April 2015 to ‘...drive closer integration and improve outcomes for patients and service users and carers’. The intention was to set up the fund as a pooled budget with NHS organisations and local authorities contributing into a single pot that is used to commission or deliver health and social care services.

In practice, different Better Care Fund agreements have different and sometimes complex arrangements. As a result determining the correct accounting can be difficult and there is no one size fits all approach. NHS and local government partners need to agree on accounting for such arrangements to ensure that not only are there no material errors in their own accounts but also that there are no material errors on consolidation into Whole of Government Accounts.

NHS and local government partners therefore need to consider the specific terms of their agreements and considering where the control and risks lie in line with the definition of control in IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. Individual authorities also need to consider whether they are acting as a principal or an agent. Judgement may be required, and may therefore need to be disclosed as a critical judgement in the accounts.

Although the local government timetable is moving forward, the NHS timetable is still significantly earlier so local authorities will need to include dates in their closedown plan to give NHS colleagues the information they need to prepare their accounts in good time for these deadlines.

### Challenge question

- Has your CFO considered and agreed with partners the accounting requirements for the Better Care Fund and has this treatment?

# Website re-launch

## Grant Thornton

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below -  
<http://www.grantthornton.co.uk/en/insights/?tags=local-gov&q=sustainable+communities>



# Future events

## Grant Thornton

### Accounting for pooled budgets – including the Better Care Fund

On the 7<sup>th</sup> March 2016 we will be running a half day seminar on accounting for pooled budgets in our Birmingham offices. The free event is aimed at both NHS and Council practitioners and will cover:

- the application of IFRS10,11,12 and the requirements of the Manual for Accounts
- working with other members of the Better Care Fund (BCF)
- getting it right for agreement of balances
- working with your auditors

We will also cover governance and regularity arrangements insofar as they relate to the accounting for pooled budgets, including the BCF.

For further information, contact your audit manager or book your place with Nita Hollett:

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Telephone: 0121 232 5383



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## Audit & Standards Committee

10 March 2016

### External Auditors Report - 2015/16 Warwickshire County Council Audit Plan

#### Recommendation

The Audit and Standards Committee is asked to consider and make any comments on the Warwickshire County Council 2015/16 Audit Plan from the External Auditors, attached at **Appendix A**.

#### 1.0 Purpose of the Report

- 1.1 The purpose of this report is to inform the Council's Audit and Standards Committee of the External Auditors plan of work in relation to the council's 2015/16 accounts.
- 1.2 The Audit Plan for the Warwickshire Pension Fund is elsewhere on the agenda.
- 1.3 The plan has been prepared by Grant Thornton UK LLP, our appointed external auditors, in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the National Audit Office.
- 1.4 Their annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and developed by the Comptroller and Auditor General of the National Audit Office and includes nationally prescribed and locally determined work.
- 1.5 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. In preparing the plan before the Committee today the Auditors have considered how the Council is fulfilling these responsibilities and the key risks it faces.
- 1.6 A representative from Grant Thornton will attend the meeting to present the report, attached at **Appendix A**.

#### 2.0 Background Papers

- 2.1 None

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Local Members consulted

Not applicable

Other Members consulted

None

# The Audit Plan for Warwickshire County Council

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**Year ending 31 March 2016**

February 2016

**Grant Patterson**

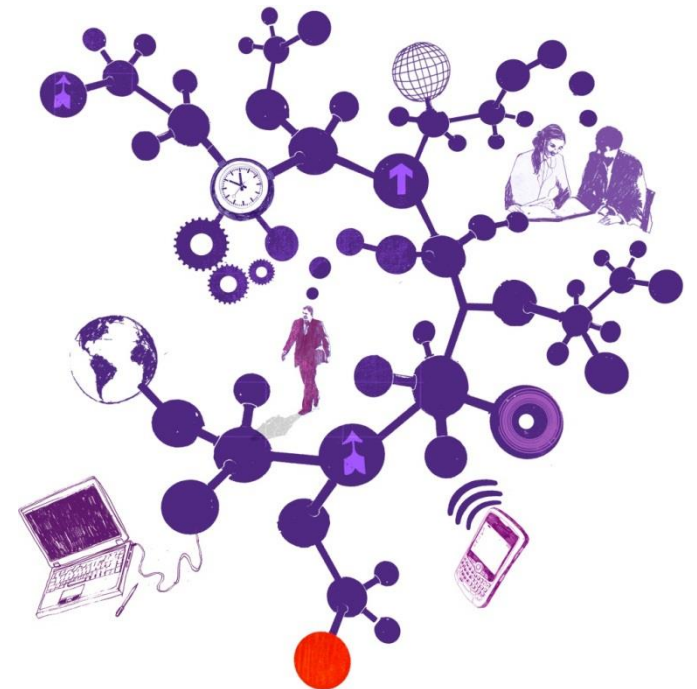
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council 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.



Warwickshire County Council  
Shire Hall  
Warwick  
CV34 4RA

February 2016

Dear Members of the Audit Committee

**Audit Plan for Warwickshire County Council for the year ending 31 March 2016**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Warwickshire County Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Yours sincerely

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**Chartered Accountants**

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Developments and other requirements relevant to the audit

Our audit approach

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Fees and independence

Communication of audit matters with those charged with governance

## **Appendices**

A. Action plan

# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% real terms reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.

### 2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.

### 3. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

### 4. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.

### 5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.



## Our response

- The Council has a "One Organisational Plan 2014-18" in place but has identified the need to revisit this in the light of recent funding announcements.
- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- In September 2015 Warwickshire County Council to a decision not to formally join the West Midlands Combined Authority but the Council continues to explore other options for devolution in Warwickshire
- We will consider your plans for working with partners and other third parties as part of our work in reaching our VFM conclusion..

- We will review the Council's performance against the 2015/16 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our Vfm conclusion which will consider viability of future financial plans.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our Vfm conclusion.
- We will review the Council's treatment of entries relating to the Better Care Fund in its financial statements.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 July 2016 as a 'dry run'

# Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

## Developments and other requirements

### 1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.



### 2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.



### 3. Highways Network Assets

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.



### 4. Joint arrangements

- Councils are involved in a number of pooled budgets, such as the Better Care Fund, and alternative delivery models which they need to account for in their financial statements.



## Our response

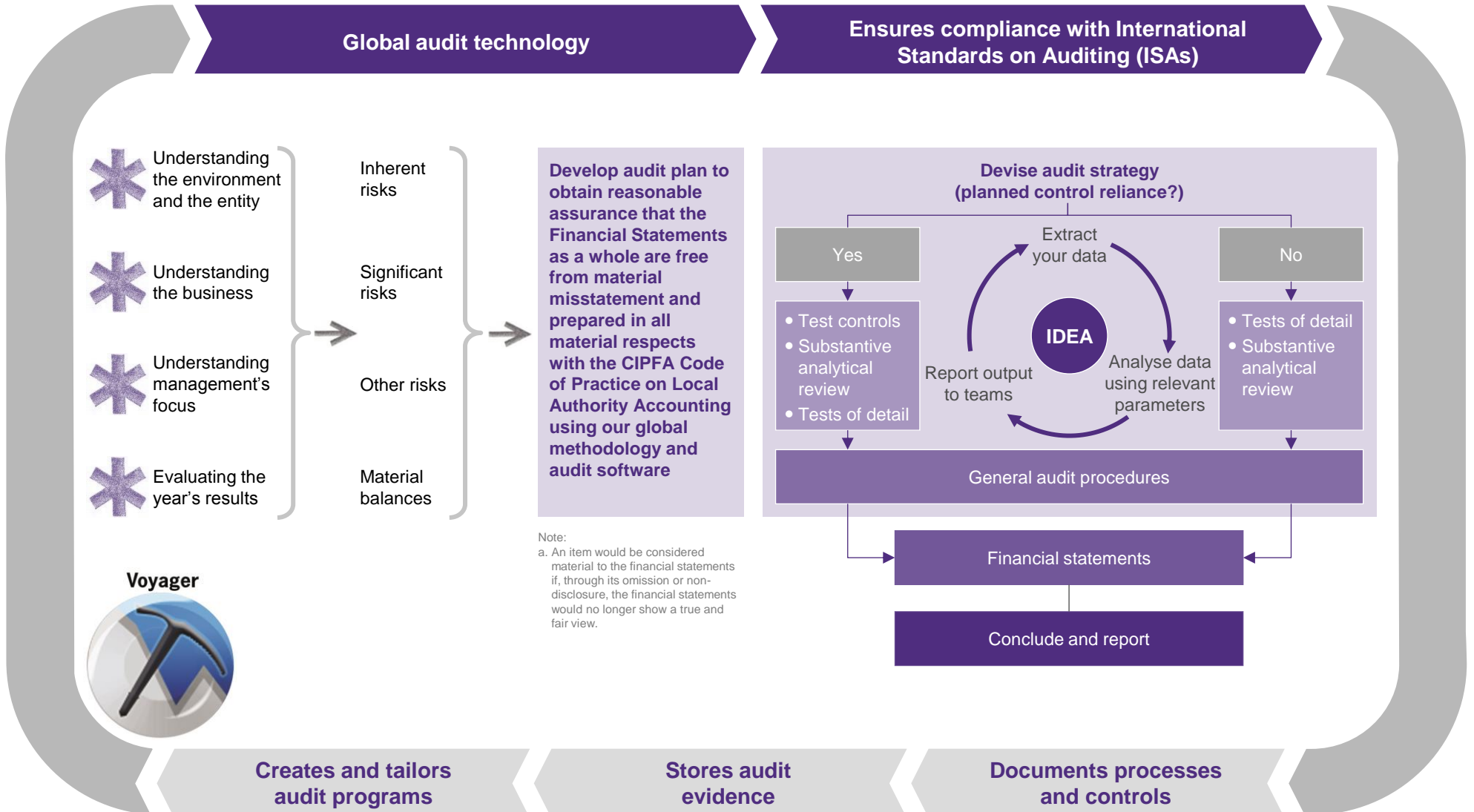
- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of these assets (including componentisation) at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.

# Our audit approach



# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £13,471k (being 1.8% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £674k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	N/A
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

# Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>For this Council, we have concluded that the greatest risk of material misstatement relates to the occurrence/ existence of fees and charges and receivables. We have rebutted it for the elements of income related to the precepts and revenue grants.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We will walk through the system in determining the revenue recognition for fees and charges revenue.</li> <li>We will review the policy for recognising revenue and that the policy has been applied to transactions accordingly.</li> </ul>
Management over-ride of controls	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Review of accounting estimates, judgments and decisions made by management</li> <li>Testing of journal entries</li> <li>Review of unusual significant transactions</li> </ul>
PPE valuation measurements not correct.	<p>The Council is required to demonstrate that the carrying value of PPE assets are not materially different from their book value as at the year end date.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>Confirm the expertise and independence of the Council's internal valuer.</li> <li>Review the assurances given by the Council's internal valuer.</li> <li>Enquiries over the judgements, estimates and underlying data used to determine the final valuation of PPE.</li> </ul>
Valuation of the pension liability is materially misstated.	<p>There is a risk that the underlying data provided to the actuarial expert is incorrect resulting in a material misstatement in the pension fund valuation.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>We will assess arrangements in place for the County Council to obtain assurance that correct information has been provided to the Actuary by the Pension Fund.</li> <li>Review the work of the Council's expert actuary and their judgements, estimates and assumptions used to determine the value of the pension scheme.</li> </ul>

## Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We will carry out testing including: <ul style="list-style-type: none"> <li>• the completeness of the subsidiary system interfaces and control account reconciliations</li> <li>• cut off testing of purchase orders and goods received notes(both before and after year end)</li> <li>• a review of the accruals process</li> <li>• a sample of creditor balances at 31/3/16</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We will carry out testing including: <ul style="list-style-type: none"> <li>• payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements.</li> <li>• a sample of payments made in April and May to ensure payroll expenditure is recorded in the correct year.</li> <li>• reviewing monthly trend analysis of total payroll.</li> </ul>



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# Other risks identified (continued)

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section (noting that we have set lower materiality levels on page 8 in respect of officers' remuneration) but will include:

- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note

## Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

# Value for Money

## Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"><li>• Acting in the public interest, through demonstrating and applying the principles and values of good governance</li><li>• Understanding and using appropriate cost and performance information to support informed decision making and performance management</li><li>• Reliable and timely financial reporting that supports the delivery of strategic priorities</li><li>• Managing risks effectively and maintaining a sound system of internal control</li></ul>
Sustainable resource deployment	<ul style="list-style-type: none"><li>• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li><li>• Managing assets effectively to support the delivery of strategic priorities</li><li>• Planning, organising and developing the workforce effectively to deliver strategic priorities.</li></ul>
Working with partners and other third parties	<ul style="list-style-type: none"><li>• Working with third parties effectively to deliver strategic priorities</li><li>• Commissioning services effectively to support the delivery of strategic priorities</li><li>• Procuring supplies and services effectively to support the delivery of strategic priorities.</li></ul>

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# Value for Money (continued)

## **Risk assessment**

We shall carry out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we will consider :

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

Following the completion of this risk assessment, we will issue a separate planning document setting out our planned work for 2015/16 to meet our duties in respect of the VfM conclusion. This will include any significant risks identified, along with details of the work we plan to carry out to address these risks.

## **Reporting**

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

# Results of interim audit work

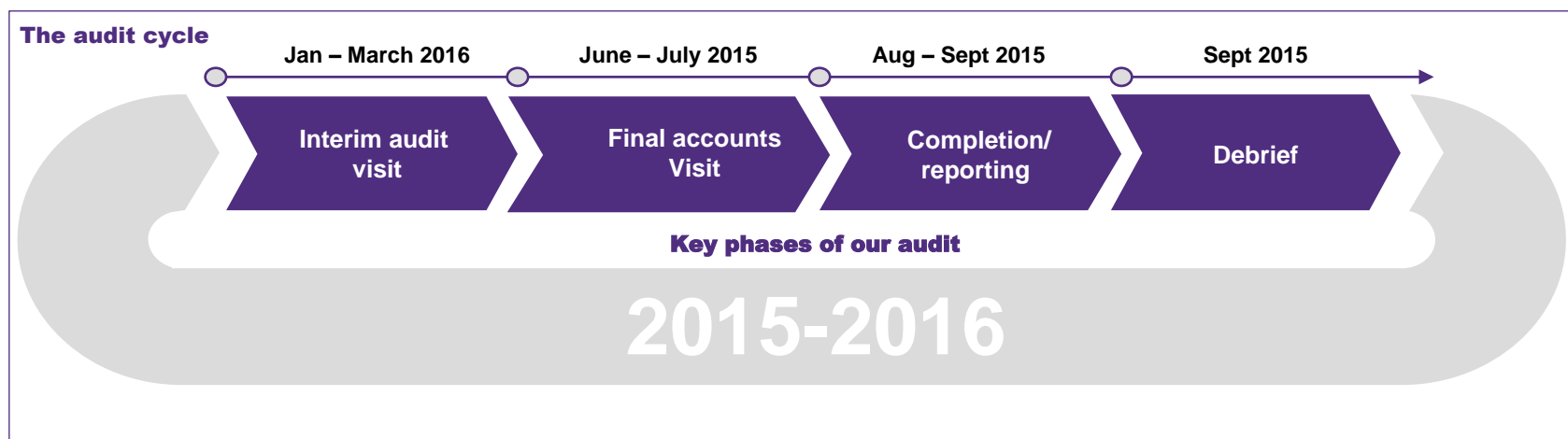
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>The Council has not yet had a formal independent assessment undertaken of Internal Audit's compliance with the new Public Sector Internal Audit Standards.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
<b>Review of information technology controls</b>	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

## Results of interim audit work (continued)

	<b>Work performed</b>	<b>Conclusion</b>
<b>Journal entry controls</b>	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach.
<b>Early substantive testing</b>	We have performed early substantive testing on the following transactional balances: grant revenues, fees and charges, operating expenditure and payroll costs, in order to work towards an early close.	Our work has not identified any issues.

# Key dates



<b>Date</b>	<b>Activity</b>
<b>January 2016</b>	Planning
<b>January - March 2016</b>	Interim site visit
<b>10 March 2016</b>	Presentation of audit plan to Audit & Standards Committee
<b>June – July 2016</b>	Year end fieldwork
<b>18 July 2016</b>	Audit findings clearance meeting with Head of Finance
<b>September 2016</b>	Report audit findings to Audit & Standards Committee
<b>By 30 September 2016</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	94,539
<b>Total audit fees (excluding VAT)</b>	<b>94,539</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Fees for other services

Service	Fees £
Certification of Teachers' Pension return	4,200

## Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



# Communication of audit matters with those charged with governance (cont)

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Standards Committee)

Area of consideration	Current understanding based on planning and interim work to date
<b>Awareness of fraud or suspected fraud</b>	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Standards Committee on a regular basis.
<b>Views about the risks of fraud</b>	Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Council.
<b>Awareness of whistleblower tips or complaints</b>	Internal Audit are involved in the investigation of whistleblower referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
<b>How the Audit &amp; Standards Committee provide oversight of management's fraud risk assessment process</b>	<p>The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Standards Committee on an annual basis.</p> <p>The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.</p>



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## Audit & Standards Committee

10 March 2016

### External Auditors Report - 2015/16 Warwickshire County Council Pension Fund Audit Plan

#### Recommendation

The Committee is asked to consider and make any comments on the Warwickshire County Council Pension Fund 2015/16 Audit Plan from the External Auditors, attached at **Appendix A**.

#### 1.0 Purpose of the Report

- 1.1 The purpose of this report is to inform the Council's Audit and Standards Committee of the External Auditors plan of work in relation to the Pension Fund's 2015/16 accounts. Their annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 1.2 The plan has been prepared by Grant Thornton UK LLP, our appointed external auditors, in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. The Audit Engagement Lead will attend the meeting to present the report, attached at **Appendix A**.

#### Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s):

Other members:



# The Audit Plan for Warwickshire Pension Fund

**DRAFT**

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

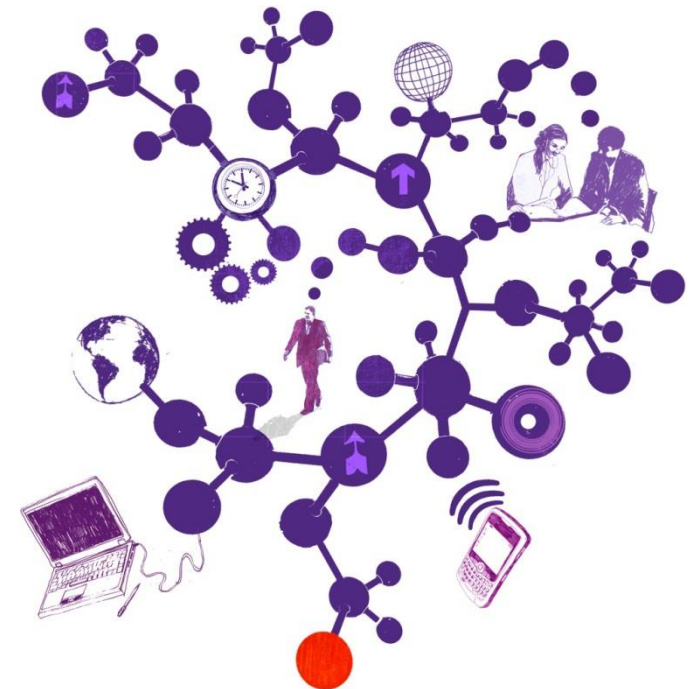
**Year ending 31 March 2016**

February 2016

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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 the Pension Fund 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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18 February 2016

Dear Members of the Audit and Standards Committee

**Audit Plan for Warwickshire Pension Fund for the year ending 31 March 2016**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Warwickshire Pension Fund, the Audit and Standards Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

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

Yours sincerely

Grant B Patterson  
Engagement Lead

**Chartered Accountants**

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## Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

### Challenges/opportunities

#### 1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Initial proposals are to be submitted to DCLG in February, with final plans agreed by 15 July 2016.

#### 2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

#### 3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the fund.

#### 4. Local Government Outsourcing

- As many Councils look to outsourcing and the set up of external companies as a more cost effective way to provide services, the impact on the LGPS fund needs to be considered.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the fund.
- An increased number of admitted bodies may increase the risks for the fund in the event of those bodies failing. It is also likely to increase the administration costs of the scheme overall.

#### 5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require funds to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.



### Our response

- We will continue to discuss with officers your plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.

- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff and the effect on the fund.

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of your financial statements by 31 July 2016 as a 'dry run'.

## Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

### Developments and other requirements

#### 1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets.

#### 2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure on-going compliance with the Code.

#### 3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

#### 4. Accounting for Fund management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance has been updated for 2015/16.



### Our response

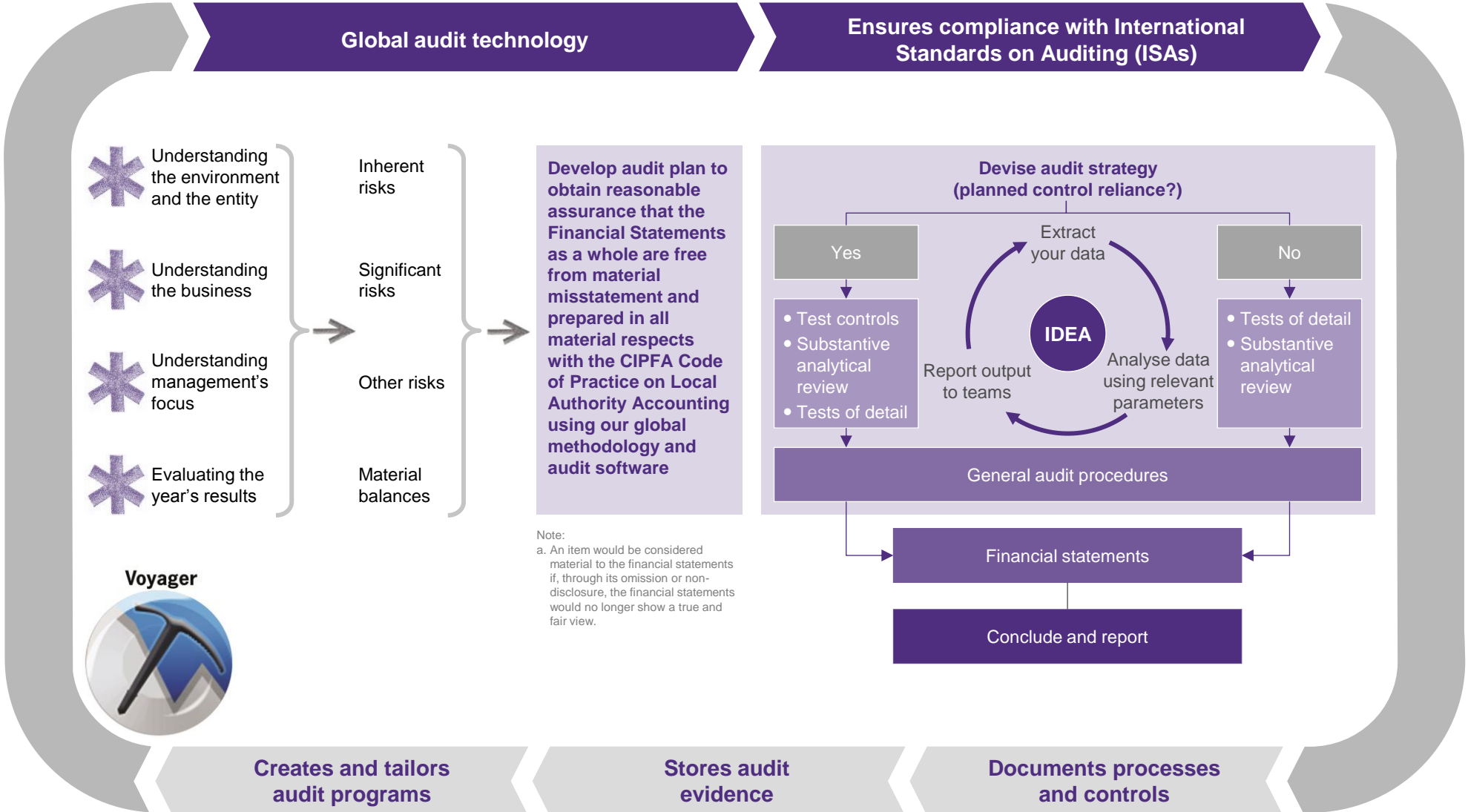
- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

- We will continue to review the arrangements that the fund has in place for the quality of its' membership data.

- We will continue to discuss with officers their plans for increasing the level of transparency associated with the costs of managing the fund.

# Our audit approach



Note:  
 a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the fund. For purposes of planning the audit we have determined overall materiality to be £16,381k (being 1% of opening net assets). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

In the previous year, we determined materiality to be £16,381k (being 1% of closing net assets).

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £819k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Management Expenses	Due to public interest in these disclosures and the statutory requirement for them to be made.	No separate materiality has been set, but these disclosures will be treated as a sensitive item and reviewed even if they are below our overall materiality level.
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£100k for the disclosures of key personnel in the related party note.

## Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwickshire Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Warwickshire County Council as the administering authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Documentation of the journal control environment and testing of journal entries to month 9</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries to year end</li> <li>• Review of unusual significant transactions where applicable</li> </ul>

## Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Level 3 Investments – Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit.</li> <li>• We have performed walkthrough tests of the controls identified in the cycle.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31<sup>st</sup> March with reference to known movements in the intervening period.</li> <li>• Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.</li> <li>• To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.</li> <li>• Review the competence, expertise and objectivity of any management experts used.</li> </ul>
Disinvestment from assets managed by Blackrock Investment Management	The pension fund is in the process of moving all the assets it currently holds with Blackrock to Legal and General Investment Management (LGIM), as part of a pooling of passive mandates with other local government pension funds. LGIM already act as a fund manager for the pension fund and therefore we do not expect the transfer to be particularly complex, however the holding with Blackrock is significant (£284.4m at 31/3/15, or 17% of the fund's net assets) and we therefore consider it to be a significant non-routine transaction.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have gained an understanding of the transaction including a review of supporting documentation.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.</li> <li>• We will ensure that accounting entries in the financial statements are consistent with our understanding of supporting documentation and with the requirements of the CIPFA Code of Practice.</li> </ul>

## Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures" (ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Updated our documentation and undertaken a walkthrough of the controls in place to ensure that investment activity is valid.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.</li> </ul>
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Updated our documentation and undertaken a walkthrough of the controls in place to ensure that Level 2 investment valuations are correct.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.</li> </ul>
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Updated our documentation and undertaken a walkthrough of the controls in place to ensure that benefits are computed appropriately. We are placing assurance on controls testing over occurrence, completeness and accuracy of benefit payments which was carried out in 2014/15 as our walkthroughs confirmed that the controls are still in place in 2015/16.</li> <li>Tested a sample of individual pensions in payment by reference to member files.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Update our testing of a sample of individual pensions in payment by reference to member files.</li> <li>Rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.</li> </ul>

## Other risks identified (continued)

Other risks	Description	Audit approach
Contributions	Recorded contributions not correct (Occurrence)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Updated our documentation and undertaken a walkthrough of the controls in place to ensure that recorded contributions are correct. We are placing assurance on controls testing over occurrence, completeness and accuracy of contributions which was carried out in 2014/15 as our walkthroughs confirmed that the controls are still in place in 2015/16.</li> <li>• Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Update our testing of a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>• Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.</li> </ul>
Member Data	Member data not correct. (Rights and Obligations)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Updated our documentation and undertaken a walkthrough of the controls in place to ensure that member data is updated appropriately. In a change of approach this year we have focused our attention on those changes which would affect the actuary's calculations and therefore have an impact on the disclosures in the accounts, rather than test all changes to member data. We are placing assurance on controls testing over the accuracy of member data which was carried out in 2014/15 as our walkthroughs confirmed that the controls are still in place in 2015/16.</li> <li>• Sample testing of changes to member data made during the year to date to source documentation</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Update our sample testing of changes to member data made during the year to source documentation</li> </ul>



## Other risks identified (continued)

### **Other material balances and transactions**

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include

- Transfers in (only if material)
- Transfers out (only if material)
- Administrative expenses
- Cash deposits
- Current Assets (only if material)
- Current Liabilities (only if material)
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

### **Other audit responsibilities**

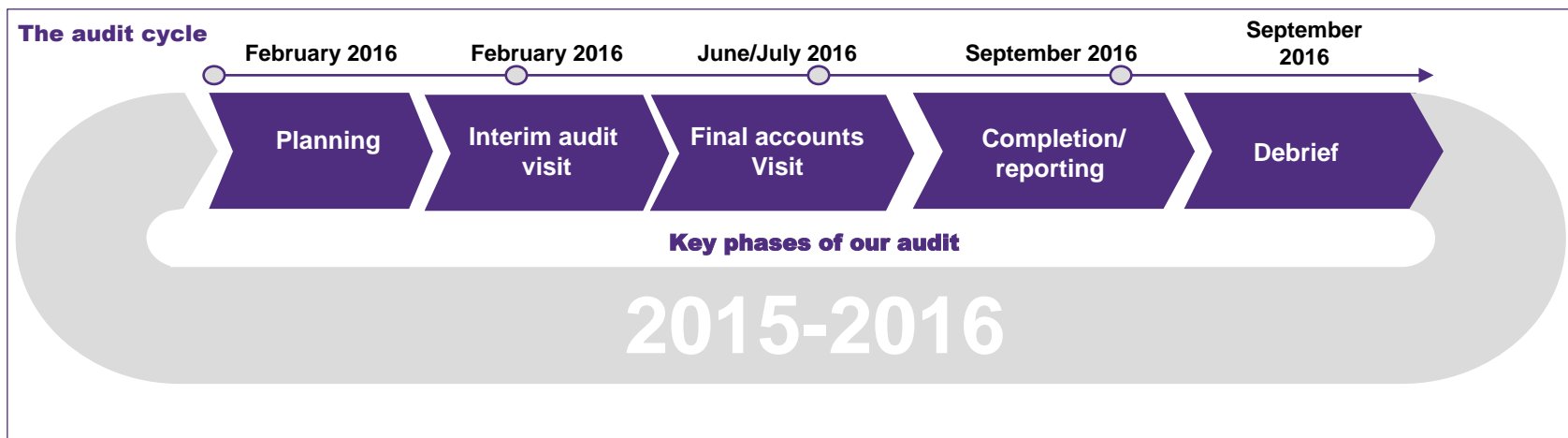
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.

## Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the fund's financial statements.
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements – namely contributions, benefit payments, member data and investments.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Fund in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
<b>Journal entry controls</b>	<p>We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	No issues have been identified that we wish to highlight for your attention.
<b>Early substantive testing</b>	<p>We have undertaken the following early substantive testing covering the first 9 months of the financial year:</p> <ul style="list-style-type: none"> <li>• Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence</li> <li>• Tested a sample of individual pensions in payment by reference to member files.</li> <li>• Tested a sample of changes to member data made during the year to source documentation</li> </ul> <p>This testing will be updated at year end but to date no issues have been identified that we wish to highlight for your attention.</p>	No issues have been identified that we wish to highlight for your attention. The testing will be completed during our final accounts visit.

# Key dates



<b>Date</b>	<b>Activity</b>
<b>February 2016</b>	Planning
<b>February 2016</b>	Interim site visit
<b>March 2016</b>	Presentation of audit plan to Audit and Standards Committee
<b>June/July 2016</b>	Year end fieldwork
<b>July 2016</b>	Audit findings clearance meeting
<b>September 2016</b>	Report audit findings to those charged with governance (Audit and Standards Committee)
<b>September 2016</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£
Pension Fund Scale Fee	23,892
Proposed fee variation – IAS 19 Assurances	1,328
<b>Total audit fees (excluding VAT)</b>	<b>25,220</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Fund and its activities, have not changed significantly.
- The Fund will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Fees for other services

Service	Fees £
None	Nil

## Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and the Annual Audit Letter of the Administering Authority.

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Administering Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Communication of audit matters with those charged with governance

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Standards Committee)

Area of consideration	Current understanding based on planning and interim work to date
<b>Awareness of fraud or suspected fraud</b>	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Standards Committee on a regular basis.
<b>Views about the risks of fraud</b>	<p>Two types of intentional misstatements are relevant to our consideration of fraud in our financial statements audit (i) misstatements arising from fraudulent financial reporting and (ii) misappropriation of assets.</p> <p>Although there is an on-going risk of fraud being committed against the fund arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Fund and administering authority. As noted under significant risks we will consider management override of controls. Our work on investments will seek appropriate independent assurances on existence and valuation of assets.</p>
<b>Awareness of whistleblower tips or complaints</b>	Internal Audit are involved in the investigation of whistleblower referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
<b>How the Audit &amp; Standards Committee provide oversight of management's fraud risk assessment process</b>	<p>The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Standards Committee on an annual basis.</p> <p>The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.</p>



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## Audit & Standards Committee

10 March 2016

### External Auditors Report - Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2015/16

#### Recommendation

The Audit and Standards Committee is asked to consider the Annual Fee Letter from the External Auditors for 2015/16, attached at Appendix A, for both the County Council and the Warwickshire Pension Fund.

#### 1.0 Purpose of the Report

- 1.1 Our external auditors, Grant Thornton, have written to the Chief Executive, identifying the audit fees for the County Council and the Warwickshire Pension Fund, together with the rationale and scope for those fees.
- 1.2 A representative from Grant Thornton will attend the meeting to present the report attached at **Appendix A**.

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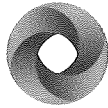
#### Local Members consulted

Not applicable

#### Other Members consulted

None





# Grant Thornton

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20 April 2015

Dear Jim

## **Planned audit fee for 2015/16**

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for Warwickshire County Council along with the scope and timing of our work and details of our team.

## **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £94,539, which compares to the audit fee of £126,052 for 2014/15.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives [http://webarchive.nationalarchives.gov.uk/\\*/http://www.audit-commission.gov.uk/](http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/) and on the Public Sector Audit Appointments PSAA website [psaa.co.uk](http://psaa.co.uk)

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

## **Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

### **Chartered Accountants**

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### **Value for Money conclusion**

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

### **Pension Fund audit**

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £23,892. Our work on the pension fund will be undertaken in June 2016 by our specialist pension fund audit team, led by John Gregory.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2015	23,635
December 2015	23,635
March 2016	23,635
June 2016	23,634
<b>Total</b>	<b>94,539</b>
<hr/>	
<b>Pension Fund audit</b>	
March 2016	23,892

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in November 2015 to March 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August 2016 and work on the whole of government accounts return in September 2016.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2016	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2016	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

### **Our team**

The key members of the audit team for 2015/16 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	John Gregory	0121 232 5333	John.Gregory@uk.gt.com
Engagement Manager	Andrew Reid	0121 232 5289	Andrew.S.Reid@uk.gt.com
Pensions Fund Engagement Lead	John Gregory	0121 232 5333	John.Gregory@uk.gt.com
Pension Fund Manager	Helen Lillington	0121 232 5312	Helen.M.Lillington@uk.gt.com

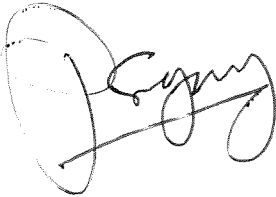
**Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts our Public Sector Assurance regional lead partner (Jon.Roberts@uk.gt.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Gregory', written over a faint circular stamp or watermark.

John Gregory  
Engagement Lead  
For Grant Thornton UK LLP

cc John Betts, Head of Corporate Financial Services





## Audit & Standards Committee

10 March 2016

### Warwickshire County Council – Changes to Accounting Policies

#### Recommendations

The Audit and Standards Committee is recommended to:

- (a) Agree that the accounting policy for the fair valuation of assets outlined in paragraph 2.4 should be used as the basis for the preparation of the 2015/16 Warwickshire County Council Statement of Accounts and;
- (b) Agree that the accounting policy for transport infrastructure assets outlined in paragraph 3.2 should be used as the basis of the preparation of the 2016/17 Warwickshire County Council Statement of Accounts and the additional disclosure notes required in 2015/16 and;
- (c) Note the amendments to the presentation of the statement of accounts in paragraphs 2.5 and 3.3 that will result from the change in accounting policy.

#### 1.0 Purpose of the Report

- 1.1 As a local authority we are required to comply with the CIPFA<sup>1</sup> Code of Practice on Local Authority Accounting (the Code) when preparing our annual accounts. The 2015/16 Code includes new accounting requirements for how we account for the fair value of our assets with which we are required to comply. It also includes additional disclosure requirements in relation to transport infrastructure assets that will take full effect for the 2016/17 accounts.
- 1.2 As part of their remit, in recommending the annual Statement of Accounts to Council for approval, the Audit and Standards Committee are required to approve accounting policies on which the financial statements are based and the approach adopted by the authority in complying with accounting requirements. It is therefore best practice where there has been a potentially material change in accounting policy the Audit and Standards Committee are

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<sup>1</sup> CIPFA: Chartered Institute of Public Finance and Accountancy

able to consider and approve this change before it is implemented as part of the year end accounts production process (CIPFA's publication "Audit Committee: Practical Guidance for Local Authorities" (2013)).

- 1.3 Also under Auditing Standards (ISA 260<sup>2</sup>) the external auditors will report to the Audit and Standards Committee their views on the acceptability of our accounting policies and, as there has been a change, they will comment on it in their formal Audit Findings Report that will come to the Committee in September. This reinforces why it is recommended practice that the Audit and Standards Committee would be aware of and approve any changes to accounting policies prior to the external auditors commenting on them.
- 1.4 Consequently, this report outlines our proposed approach to meeting the new accounting requirements for measuring the fair value of our assets and accounting for transport infrastructure assets and seeks the agreement of the Audit and Standards Committee to the accounting policies we will use as the basis for the preparation of the Warwickshire County Council Statement of Accounts for 2015/16 and future years.
- 1.5 The Committee should note that we have fully engaged with the external auditors as the approach outlined in the report was developed and also in how we intended to provide assurance about this impact of the change on our financial statements. The external auditors have indicated they are content with the approach outlined in the report.

## **2.0 Measuring the 'Fair Value' of our Assets**

### **2.1 Overview of 'Fair Value'**

In May 2011 the International Standards Board (IASB) issued IFRS 13 *Fair Value Measurement* (the Standard), setting out the principles for the measurement and disclosure of fair value in financial statements. The Standard defines fair value as being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The key principle is that a fair value measurement represents the price of an asset or liability from the perspective of the buyer rather than from the perspective of the seller.

The application of a fair value measurement in the public sector is difficult because fair value, as defined by the Standard, requires that the valuation is for the highest and best use. The highest and best use of an asset in the public sector will in a great many cases not be what the actual asset is used

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<sup>2</sup> ISA 260: International Standard on Auditing - Communication to those charged with governance

for. CIPFA and HM Treasury have agreed reinterpretations of elements of the relevant accounting standards to state that fair value measurement will only apply to public sector assets that are surplus to requirements and have no restrictions on their use. All assets that are operational and used in the provision of services will continue to be measured at existing use value and not at fair value.

## 2.2 Valuation Policy

The exclusion of operational assets from the requirement to measure at 'fair value' means the only three classes of assets are impacted by the change:

- Surplus Assets (£2.4 million in 2014/15) - Where there are no plans to bring the asset back into operational use in the future and where no restrictions to the sale exist, surplus assets will be valued at highest and best use. This will require our valuer to consider alternative uses and to document the decision making process.
- Investment Properties (£29.2 million in 2014/15) – Currently, these are carried at their market value. Under the Standard this is redefined as fair value. We therefore will now need to consider every alternative use and value the asset at its best and highest use rather than at its highest value based upon current use.
- Financial Instruments: (£296.8 million in 2014/15) – These are currently held at fair value and therefore the change in policy should not change their carrying value. However, there will be extra disclosures required.

## 2.3 Overall, we do not expect measurement of the fair value of assets to make a material difference to the value at which assets are held in the Financial Statements as most of the relevant assets are already valued a 'fair value'.

The main changes will be:

- When our valuers are assessing assets they will need to consider every alternative use and value the asset at its best and highest use and document their decision-making processes throughout.
- The statement of accounts will need to include additional disclosures depending on the basis of estimating value. The stronger the factual basis of evidence supporting the valuation the less that has to be disclosed as less judgement is involved.

2.4 Impact on the Financial Statements – Accounting Policies

Adoption of the Standard represents a change of accounting policy from 1 April 2015. Within our accounting policies in our 2015/16 Financial Statements we propose to include a new accounting policy that defines fair value that can be cross-referenced when considering the basis of measurement for each type of asset. The wording we propose is as follows:

**“Fair Value**

*We will consider every alternative use and value the asset at its best and highest use when assessing the fair value of our assets. Each asset will be categorised as follows:*

- *Level 1 – valuation based on quoted prices (unadjusted) of identical assets or liabilities that we can access at the measurement date.*
- *Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.*
- *Level 3 - unobservable inputs for the asset or liability.*

*When valuing our assets we will give the highest priority to quoted prices and the lowest priority to unobservable inputs.”*

2.5 Impact on the Financial Statements – Notes to the Accounts

We will include two new disclosure notes in the accounts that analyse the assets valued a fair value across each of the levels; one for physical assets and a second for financial instruments. The information will be presented in a table, as shown below.

Asset Types	Level 1 £m	Level 2 £m	Level 3 £m
Investment properties			
Surplus assets			

We will be provide information detailing any movements between the different levels of valuations year-on-year and where assets are categorised as Level 3 we will, for each asset, disclose additional information as to the basis of valuation.

**3.0 Transport Infrastructure Assets**

3.1 Overview

Local authorities and central government currently account for transport infrastructure assets differently. The result of the different treatments has resulted in the Whole of Government Accounts (WGA) being consistently

qualified since they were first published in 2009/10 due to 'material inconsistencies'.

To resolve the issue CIPFA have produced a Code of Practice on Transport Infrastructure Assets (the Code) and this will be implemented in the 2016/17 Code of Practice on Local Government Accounting. Adoption of the Code in the 2016/17 accounts will bring local authorities in line with central government and remove inconsistencies in WGA reporting.

The intention of the Code is for each local authority to produce a single set of financial statements for transport infrastructure assets that deliver robust, consistent financial information to support transport asset management, financial management and reporting.

It is estimated that the carrying value of our non-current assets will increase from £1.3 billion in 2015/16 to £8.4 billion in 2016/17 as a result of implementing the Code.

The reason for seeking agreement of the revised accounting policy now is that as part of the 2015/16 Statement of Accounts we will need to include a note that outlines the likely implications of future accounting standards changes and ideally this should be consistent with the accounting policy that will be in place next year.

### 3.2 Impact on the Financial Statements - Accounting Policies

The fundamental principle of the new policy is that the same information will be used for asset management, financial management and financial reporting. The wording we propose is as follows:

***“Measurement of Transport Infrastructure Assets***

*We will value our transport infrastructure assets using depreciated replacement cost (DRC). That is gross replacement cost (GRC) less a depreciation element which will be calculated using nationally set parameters (by CIPFA), our own annual conditions surveys and other asset management indicators as required. We will use the valuation toolkits produced by CIPFA and the Highways Asset Management Financial Group (HAMFIG), information from the United Kingdom Pavement Management System (UKPMS) and our own asset management systems to support the work of the Highways engineers or other relevant professionals in informing the valuations.*

*We will value each of the seven categories of transport infrastructure assets separately. These categories are carriageways, footways and cycle tracks,*

*structures consisting primarily of road and foot bridges but also contain assets such as signs and signal gantries, street lighting, street furniture, traffic management systems and land.*

*We will not define public rights of way, private permissive paths, trams, light railways or any other asset for which we do not control the economic benefits and service potential of the asset as a transport infrastructure asset.”*

### 3.3 Impact on the Financial Statements and Notes to the Accounts

The change in the methodology for valuing transport infrastructure assets under the new accounting policy will significantly increase the value of non-current assets held on the Balance Sheet with an associated significant increase in value of depreciation charges on the Comprehensive Income and Expenditure Statement. These changes will not impact on the cash flow of the authority and will not impact on the resources available to Elected Members to allocate. The value of the Transport Infrastructure Assets will appear as a separate, single line within the balance sheet.

Currently transport infrastructure assets are included as part of the consolidated note to the accounts on property, plant and equipment. Following the implementation of the accounting policy for the 2016/17 accounts this note will be split into two – transport infrastructure assets and all other assets. The same level of detail will be provided in each note.

## Background Papers

None

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### Local Members consulted

Not applicable

### Other Members consulted

None

## **Audit & Standards Committee**

**10 March 2016**

### **S106 Processes and Funds**

#### **Recommendation**

That the Committee considers the report on S.106 processes and funds and notes the progress made.

#### **1.0 Background**

- 1.1 The Infrastructure Delivery Team (IDT) within the Communities Group was established to address the challenges that were presented by numerous and in some cases large and historic S106 agreements and balances.
- 1.2 The IDTs core remit is to coordinate, manage and monitor infrastructure needs, including s106 funds.
- 1.3 Each of the District and Borough Councils within the County, plan to adopt the Community Infrastructure Levy (CIL) within the next two years and it is expected that this will then become a major source of new developer income for infrastructure. However, S106 agreements are likely to remain a significant source of new income even after CIL has been adopted across the County.
- 1.4 An Infrastructure Officer Group has been established to steer the work of the IDT, establish a partnership approach as well as to provide a forum for dealing with issues that arise e.g. S.106 pooling

#### **2.0 Progress to Date**

- 2.1 An Infrastructure Delivery Manager took up post at the beginning of February 2015 and after financial support from Public Health she has now been joined by two Health Planners.
- 2.2 The Infrastructure Officer Group (Management Board) has been expanded to include membership from Health providers.
- 2.3 There is an agreed and documented process, re the coordinated response to planning applications and subsequent production of S106 agreements.

- 2.4 Strong and effective links have been developed with the Local Planning Authorities. This has seen the Infrastructure Delivery Manager now attending Warwick District Council's Overview and Scrutiny Finance and Audit Committee as well as being involved in the delivery of WDC Member training. Support has also been requested with training for SDC Members with a session planned for April.
- 2.5 Systems are being developed to ensure that service areas are able to produce fully CIL compliant requests and that WCC does not fall foul of pooling restrictions. This has involved extensive support from Legal Services as well as engagement with the District and Borough Councils.
- 2.6 A draft Infrastructure Delivery Plan for the CWLEP area plus Hinckley and Bosworth has been developed and shared with the Shadow Economic Prosperity Board. This document will be reviewed twice per year. However, the current position with Local Plans across the District and Borough Councils means that the draft will be subject to significant change over the next twelve months.
- 2.7 Strong links have been developed with several Health Providers, The Ambulance Trust and the Fire and Rescue Service.

### **3.0 Moving Forward**

- 3.1 Systems are in place to record all S106 income and subsequent expenditure. These will be further developed to enable service areas to estimate when funds will be received from specific developments. An update on funds will be provided at the meeting.
- 3.2 Work will continue with service areas and the Local Planning Authorities (LPAs) to ensure that all requests for funding are robust and fully CIL compliant.
- 3.3 Work will continue with the LPAs to establish a mechanism for determining when CIL or S106 will be the most appropriate form of income collection.
- 3.4 We will continue to support the LPAs with their information collection and evidence base in support of the adoption of their Local Plans.
- 3.5 We will develop a WCC Planning Obligations Guidance Document to help support and provide transparency around requests for financial contributions.

### **Background papers**

None



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## **Audit & Standards Committee**

**10 March 2016**

### **Adult Social Care - Update on Case File Audits**

#### **Recommendations**

That the Audit and Standards Committee consider and comment on:

1. The results of the case file audit analysis within Adult Social Care.
2. The actions underway to further improve case file audit in Adult Social Care.
3. The proposal for aligning the case file audit procedures in Children's and Adult Social Care into a single, consistent approach in the People Group.

#### **1.0 Key Issues**

- 1.1 Case file audit is a key method of quality assurance in Adult Social Care. Case file audits have three objectives. First, they improve social care practice through enabling constructive conversations between practitioners and their managers. They can recognise good practice which can be shared to support individual and team learning. They can also identify areas for improvement so action is taken to address them. Second, they ensure customers are supported appropriately. This includes identifying if there are risks that have not otherwise been highlighted to prevent customers from 'falling through the net.' Third, they provide assurance of the quality of Adult Social Care practice including identifying strengths, areas for improvement and compliance with recording standards to support organisational learning and development.
- 1.2 The People Group quality assurance framework has five standards:
  - Standard 1: People are safe and their independence and wellbeing promoted;
  - Standard 2: People have a positive experience of services;
  - Standard 3: The workforce is skilled, motivated and valued ;
  - Standard 4: Equality and diversity are integral to services;
  - Standard 5: Services make efficient and effective use of resources.

- 1.3 Adult Social Care has an electronic case file audit tool which uses 'Survey Monkey'. The Professional Practice and Governance Business Unit led a number of improvements to the audit tool. This included strengthening the link between the tool and the standards in the Quality Assurance Framework, ensuring Care Act compliance, developing questions on quality and customer experience of People Group services and ensuring questions are clear. The revised tool was implemented across Adult Social Care teams in April 2015. It has enabled the Business Intelligence Team to produce more reliable data and reports to identify good practice and areas for development. Case file audits have been completed by managers (Lead Practitioners, Team Leaders and Operations Managers).
- 1.4 The Council's Risk and Assurance Team undertook an audit of Adult Social Care case file audits during October 2015. It concluded that 'whilst it is evident that further work is needed to embed and improve the effectiveness of the case file audit process, the level of work that has been done to develop the basic framework for undertaking case file audits should be acknowledged. Overall, the opinion is that controls provide 'moderate' assurance that risks are being managed.' Recommendations were made in relation to:
- Elements of the case file audit procedure and guidance are not operating effectively and some clarity is required around some steps within the process;
  - Areas of non-compliance with the process including non-completion of audits; inconsistent approach to completion of audits, such as the level of detail recorded; and a lack of feedback to staff on the outcome of audits undertaken;
  - A lack of clarity regarding ownership of the process, roles and responsibilities between Adult Social Care, Business Intelligence and Professional Practice and Governance;
  - Moderation arrangements are not in place;
  - Quarterly reports to Senior Management do not provide the level of data required to make a judgment on the overall standard of case files.

## **2.0 Case File Audit in Adult Social Care**

- 2.1 Case file audits were launched within Adult Social Care during 2011/2012 including comprehensive audits for Adult Safeguarding Case Files. Case file audits in Adult Social Care carried out either by the practitioner's Line Manager or operations managers, team leaders and senior Occupational Therapists who do not line manage the practitioner.
- 2.2 An estimated 380 case file audits should be completed in a year. This is comprised of:

- 10% of cases that have been through the Adult Safeguarding procedures within 3 months. This is estimated to be 80 case file audits per year;
- 5% of assessments and reviews. This is estimated to be 300 case file audits per year.

The selection of case files should ensure that all workers have at least one of their case files audited during the year. Each Manager (Team Leader, Operations Manager and Service Manager) within Adult Social Care has approximately 4 cases to audit each quarter (which is a total of 16 cases per Manager per year). 136 case file audits were completed by Adult Social Care between 1<sup>st</sup> April 2015 and 31<sup>st</sup> January 2016. This compares with an estimated total of at least 99 case file audits were completed between January and December 2014. This is an increase of over 60% projected for a 12 month period. However, it remains significantly lower than the target of 380 completed audits. This will be addressed in a redesign of the audit tool and procedure during March and April 2016.

- 2.3 Other Adult Social Care quality assurance activities in addition to case file audits include Quality Assurance Panels chaired by Senior Managers. The panels assess the quality and standards of case recording and practice on a weekly basis. The 'Back to the Floor' programme involves Managers to spend time on the front-line and look at 'what is happening in practice'. The visits are conducted quarterly and reports are generated from each visit and subsequently shared with the Senior Management Group. This means good practice and areas for development can be evidenced and action taken to improve practice and quality.
- 2.4 In addition to the Risk and Assurance audit outlined in 1.4, the Professional Practice and Governance Business Unit conducted a survey of Adult Social Care practitioners and auditors during October 2015 using an online questionnaire. The key findings will be taken into account during the redesign of the audit tool and procedure during March and April 2016. They were:
- Use of the case file audit tool can be time consuming, but is valued by auditors;
  - Auditors say that they use the outcomes to make improvements, but results are not always shared with practitioners;
  - Some sections of the tool are less helpful than others;
  - The procedures and guidance for case file audit are rated as 'good' but the moderation process is less useful;
  - Auditors do not often get clear information about timescales, or the findings of their audit;
  - Practitioners are largely unaware of the case file audit process;
  - Where outcomes of the audit are shared, practitioners find it helpful and others would welcome discussion and feedback about the findings.

2.5 Children's Social Care has implemented a new case file tool and procedure in February 2016. The People Group plans to review this in July 2016 and for the equivalent Adult Social Care procedure to be included in the review. This presents the opportunity for an efficient and effective single case file audit procedure across Adult and Children's Social Care. It creates the potential to make case file audit easier to conduct, more consistent and to address the recommendations made in the separate internal audits of case file audits in Adult and Children's Social Care.

### **3.0 Key themes from Case File Audit**

3.1 Key findings from the 136 case file audits in 2015-16 are:

- There is evidence of customer's views in 80% cases and their wishes in 82%.
- Carers' views are recorded in 64% of cases and their wishes in 54%;
- Desired outcomes are clear in 92% of cases, but only 29% had timescales for achieving them and 50% had evidence of progress on outcomes;
- There is evidence that the customer is in control of their care and support in 71% of cases;
- There is evidence of what the customer can do for themselves as well as areas where they may need assistance in 76% of cases;
- 40% of customers had been offered a direct payment;
- There is evidence that customers are safe in 90% of cases;
- There is evidence of positive risk taking in 70% of cases;
- What the customer wants to happen is recorded clearly in 81% of cases;
- 81% of customers were fully involved in their assessment, 75% in their support plan and 74% in their review. 84% of carers were fully involved in the assessment, 70% in the support plan and 60% in the review.

3.2 Adult Social Care case files during 2015-16 have provided a high degree of assurance of good practice. The majority have recorded evidence that customers are safe and in control of their care and support, their views and wishes recorded and they have been fully involved in their assessments, support plans and reviews. Importantly, customers' desired outcomes are clearly recorded.

3.3 However, Adult Social Care case files during 2015-16 have also suggests areas where improvement may be needed. First, carers are between 16% and 26% less likely to have their views and wishes recorded in comparison with customers. Second, whilst desired outcomes are recorded, only 29% had timescales for achieving them and 50% had evidence of progress on outcomes. This may highlight a need for more SMART (Specific, Measurable, Achievable, Realistic and Timely) support plans. Third, 40% of customers had been offered a direct payment. Further work is needed to determine whether or not this figure should be higher. It is notable that Adult Social Care

guidance on direct payments states: 'the general principal of direct payments is that they must be offered to all eligible customers and potential customers, but may not be forced upon them.'

#### 4.0 Timescales associated with the decision and next steps

- 4.1 The decision taken by the People Group is that Adult Social Care will continue to use the current case file audit tool until July 2016. By this time, the Business Change Team and Professional Practice and Governance will have used learning from the 'Proportionate Assessment Support Plan and Review' work and implementation of the new case management system, Mosaic (replacing Care First) to inform a fully revised Adult's Audit Tool. At the same time, a single Case File Audit process with Children's Social Care will be agreed.
- 4.2 The rationale for this decision is that the 'Proportionate Assessment Support Plan and Review' work is aimed at creating a more effective and efficient process in Adult Social Care. The case file audit will play an important role in establishing if this has been created and sustained. Mosaic potentially offers Adults and Children's Social Care the opportunity to automate and streamline case file audit, making it easier to conduct and report on. An adult case file audit tool developed without reference to this would have a very short life.

#### Background papers

None

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**Audit and Standards Committee  
Work Programme 2015/16**

Item	Lead Officer	Date of next report
Internal Audit Annual Report 2014/15	Garry Rollason	June 2015
Annual Governance Statement 2014/15	Garry Rollason	June 2015
Internal Audit Progress Report January 2015 – March 2015	Garry Rollason	June 2015
Assurance Strategy 2015/16	Garry Rollason	June 2015
Changes in Accounting Policy – Accounting for Schools	Virginia Rennie	June 2015
Internal Audit Progress Report	Garry Rollason	September 2015
External Auditors Annual Governance Report 2014/15	Virginia Rennie	September 2015
Statement of Accounts 2014/15	Virginia Rennie	September 2015
Annual Governance Statement 2014/2015	Garry Rollason	September 2015
Warwickshire Pension Fund Statement of Accounts and Governance Report 2014/15	Mathew Dawson	September 2015
Internal Audit Progress Report	Garry Rollason	January 2016
External Auditors Annual Audit Letter 2014/15	Virginia Rennie	January 2016
External Auditors Report – Audit & Standards Committee Update	Virginia Rennie	January 2016
Internal Audit Progress Report	Garry Rollason	March 2016
2015/16 Audit Plan - County Council	Virginia Rennie	March 2016
2015/16 Audit Plan - Pension Fund	Mathew Dawson	March 2016
2015/16 Audit Fee - County Council and Pension Fund	Virginia Rennie	March 2016
Changes to Accounting Policies	Virginia Rennie	March 2016
Emerging Issues report from the External Auditors	Virginia Rennie	March 2016
S106 Processes and Funds	Janet Neale	March 2016
Adult Social Care – Update on Case File Audits	Mike Wood	March 2016
Audit plan 2016/17	Garry Rollason	June 2016
Internal Audit Annual Report 2015/16	Garry Rollason	June 2016
Annual Governance Statement 2015/16	Garry Rollason	June 2016
Qtr 4 2015/16 Update Report (exempt)	Garry Rollason	June 2016