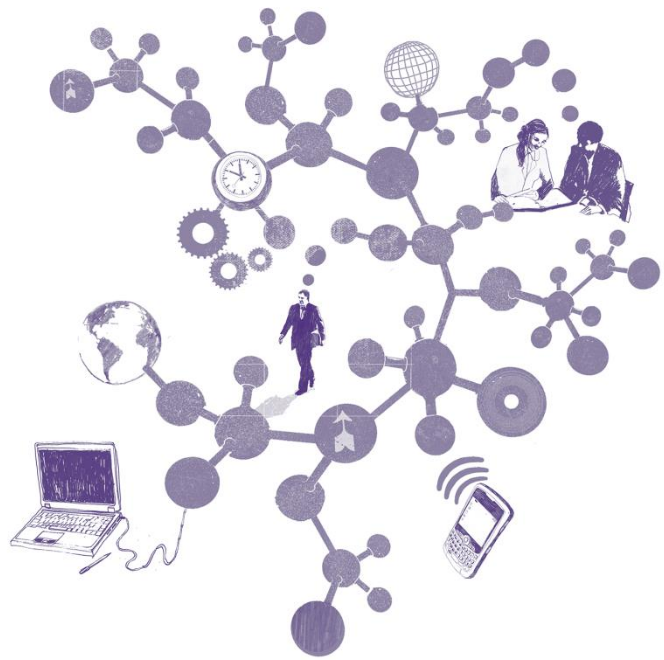
The Audit Findings for Warwickshire County Council Pension Fund

Year ended 31 March 2017

September 2017



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September 2017

Dear Members of the Audit and Standards Committee

Audit Findings for Warwickshire Pension Fund for the year ending 31 March 2017

This Audit Findings Report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Warwickshire Pension Fund, this is the Council but we have determined that the Audit and Standards Committee is the sub group with whom we would communicate), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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.

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

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

Yours sincerely

Grant Patterson
Engagement lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Warwickshire Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated April 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt and review of bridging letters in respect of controls reports for some of the fund managers used,
- review of the final version of the financial statements,
- obtaining and reviewing the management letter of representation,
- updating our post balance sheet events review, to the date of signing the opinion, and
- review of the Pension Fund Annual Report and issuing of a 'consistency with' opinion on the pension fund financial statements in the Pension Fund Annual Report under the NAO's AGN 07.

Key audit and financial reporting issues

Financial statements opinion

We received draft financial statements and accompanying working papers on 7 June 2016, in accordance with the agreed timetable.

We have not identified any adjustments affecting the Fund's reported financial position. However, we have recommended a number of adjustment to improve the presentation of the financial statement and ensure greater alignment with the Code.

The key messages arising from our audit of the Fund's financial statements are:

- We have no adjusted or unadjusted misstatements to report,
- The accounts and working papers were available in line with the agreed timetable and the quality of working papers remains consistent with that received in previous years.
- As outlined above we have recommended a number of changes to the draft accounts to ensure they align more closely with the example accounts produced by CIPFA.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. Our work on the IT control environment identified some areas for improvement which we have discussed with officers.

The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Head of Finance

Acknowledgement

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

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 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 we reported in our audit plan, we determined overall materiality to be £16,651k (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality in line with the increase in net assets to £19,838k (being 1% of net assets).

We 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 accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £992k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	Due to public interest in these disclosures	5% of the value of expenses
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made. We have set a materiality level of 10% of the largest disclosure to inform our audit approach and our reporting to the pension fund. We recognise that in compiling the disclosure, the pension fund will apply its own assessment of materiality (as required by IAS 24) and will also have regard to materiality from the perspective of the other party.	10% of the largest disclosure

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	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: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Warwickshire County Council as the administering body, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• review of entity controls • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

We have also identified the following significant risk of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risk.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
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.	• We have updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel from the Pension Fund during the interim audit. • We have performed walkthrough tests of the controls identified in the process. • On a sample basis we have tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agree these to the fund manager reports at that date. In addition reconciling those values to the values at 31st march with reference to known movements in the intervening period. • Reviewed the qualification of the fund managers as experts to value the level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached. • Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments. • Reviewed the competence, expertise and objectivity of management experts used.	Our audit work has not identified any issues in respect of level 3 investments. As noted the valuation of these investments are subject to a degree of judgement and estimation. Our testing compared the valuation of level 3 assets as reported by the custodian to the value as reported by the individual fund manager. This identified that the value reported by the fund managers was £5.9m more than that reported by the custodian. £5.3m of this related to investments held with Harbourvest. The differences have been investigated and are not material to the fund. The difference can be explained as a result in differing estimation techniques between the fund manager and the custodian and timing differences. In addition, we have reviewed the valuation of the investments reported by the custodian and compared this to the latest audited accounts where they are available. For Harbourvest we have noted that a review of the accounts suggests a valuation of £70.0m when compared to the custodian value of £66.2m, a difference of £3.8m. The direction of the valuation difference is consistent with the differences identified above For Blackstone, the audited accounts show £82.6m when compared to the custodian of £84.3m, a difference of £1.7m. These differences are not material and below our expectation of tolerable error. We are therefore satisfied that the estimate is as a result of applying an appropriate estimation technique and no amendment is required to the accounts.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment values – Level 2 investments	**Valuation is incorrect. (Valuation net)**	We have undertaken the following work in relation to this risk: • Updated our documentation and undertaken a walkthrough of the controls in place to ensure that Level 2 investment valuations are correct • Reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanation for variances • Tested a sample of Level 2 investments to independent information from custodian/manager on units and on unit prices.	Our audit work has not identified any significant issues in relation to the risk identified.
Contributions	**Recorded contributions not correct. (Occurrence)**	We have undertaken the following work in relation to this risk: • Updated our documentation and undertaken a walkthrough of the controls in place to ensure that recorded contributions are correct. • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.
Benefits payable	**Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)**	We have undertaken the following work in relation to this risk: • Updated our documentation and undertaken a walkthrough of controls in place to ensure that benefits are computed appropriately • Tested a sample of individual pensions in payment by reference to member files. • Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Member Data	**Member data not correct. (Rights and Obligations)**	We have undertaken the following work in relation to this risk: Updated our documentation and undertaken a walkthrough of the controls in place to ensure that member data is updated appropriately. 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. Tested a sample of changes to member data made during the year to source documentation.	Our audit work has not identified any significant issues in relation to the risk identified.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that there is sufficient evidence to confirm that the fund remains a going concern.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	There are two key policies in relation to revenue recognition: that for contribution income and that for investment income. Normal contributions are accounted for in the payroll month to which they relate. Investment income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis, as is income from other investments	The policies are considered appropriate under the accounting framework in place.	● (Green)
Judgements and estimates	Because of the nature of the fund no significant accounting judgements have been made, with all judgements following the requirements set out in the Code. The Fund has a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The Fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund choses to rely on the valuation provided by the fund manager.	• The policies are considered appropriate under the accounting framework in place. • Overall sufficient assurance has been provided by either the experts used for valuing the Fund, or we have been able to agree valuations to third party evidence.	● (Green)

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Head of Finance as s151 officer has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Fund's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● (Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	The Fund's accounting policies are appropriate and consistent with previous years. Our review of the accounting policies did identify an omission in respect of investment income. The Fund have added some narrative to the draft accounts to explain the accounting treatment.	● (Green)

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Fund, which is included in the Audit and Standards Committee papers.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund. This permission was granted and the requests were sent, all of these requests were returned with positive confirmation.
6.	**Disclosures**	• Our review of disclosures has identified a number of areas where these could be improved. We have highlighted these for officers and members, and where appropriate amendments to the draft financial statements have been made.
7.	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2017 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Internal controls

The controls were found to be operating effectively and we have no matters to report to the Audit and Standards Committee.

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	We reported last year that there has been no specific pension fund coverage by internal audit in the previous two years. We recommended that the Head of Finance, in conjunction with members should consider whether sufficient assurance is in place on key controls within the pension fund.	Internal audit have carried out two specific pension fund audits during 2016/17. One on pensions administration and the second one a review of pension fund investment management. Both audits were given substantial assurance.
2.	✓	Last year we identified areas of the accounts where experts had been used, where it was unclear the level of challenge in place by the Fund on the final information produced. We recommended that the Head of Finance should consider whether appropriate controls and process are in place to validate and challenge the information provided by experts when producing the financial statements.	Our testing undertaken has not identified any areas where the fund have not applied a level of challenge to the information provided by the experts.

Assessment

✓ Action completed
X Not yet addressed

Impact of uncorrected misstatements in the prior year

	Detail	Account balance	Reason for not adjusting
1	Last year we identified that investments with MFS had been valued using mid price. The accounting policies clearly state that this should have been valued using bid price. If the holdings had been valued at bid price the value would have been £1.2m lower and therefore this has resulted in equities being overstated by £1.2m	Equities	Testing of the valuations of the investments held with MFS for the year ended 31 March 2017 confirmed that these have now been valued using bid price in line with the accounting policies. The valuation for 31 March 2016 remains at mid price, as this was not adjusted in the prior year on the grounds so of materiality
2	Within Note 19 – Financial instruments and fair value disclosures last year we identified a classification error of £1.3m between Level 1 and 2 investments. The total combined value of the investments was correct.	Note 19 – Financial instruments and fair value disclosures	As the classification error was below materiality, this was not amended last year. Testing of classification of balances for the year ended March 2017 has not identified any errors in classification and therefore no further action is required.
3	CIPFA guidance states that management fees which are netted off fund assets should be grossed up. Last year the Fund recognised this by grossing up management fees which are not invoiced as an opposite entry to the return on investments so that the net impact on the Fund Account is nil. The CIPFA recommended treatment is to identify the value of units redeemed in lieu of fees and report this as a disposal, thus increasing the reported profit on disposal and/or change in the market value of investments, with no net impact on the Fund Account. The treatment by the Fund as a return on investments is therefore not in line with this guidance. The total value of such entries identified is £1.6m that have been misclassified.	Return on investments	Testing of management fees this year has confirmed that the Fund have now disclosed management fees in line with the CIPFA guidance. While not material, and unadjusted in the prior year accounts, the Fund have restated the expenses for 2015/16 so that they are also in line with the guidance and on a comparable basis with the current year.

Misclassifications and disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Presentation and disclosure	Various	Various	Our review of the accounts highlighted minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with officers and changes have been made to the draft accounts submitted for audit. Examples included the need to add an accounting policy in respect of investment income, an addition to the basis of preparation note to refer to the going concern assumption and the need to update the regulations referred to in note 31 on additional voluntary contributions. This is in addition to the need to tidy up formatting and some of the note references prior to publication.
2	Presentation and disclosure	£1.3m	Key management personnel	The fund have disclosed the financial relationship that key senior management personnel have with the fund. They have disclosed this expressed as a cash-equivalent transfer value as an approximation for the IAS19 actuarial valuation that is required as per the Code. Officers have confirmed that this approximation is unlikely to produce a material difference and will amend the narrative to explain why this approximation is considered appropriate. In future years, the Fund may wish to discuss this with their actuary to see that the appropriate valuations are provided as part of the IAS 19 annual exercise.
3	Disclosure	N/A	Assumptions made about the future and other major sources of estimation uncertainty	The notes as per the draft accounts makes reference to the tolerance used by the custodian in relation to hedge funds, but not for private equity funds. The fund have agreed to add some additional narrative for private equity funds to make the disclosures consistent.
4	Disclosure	N/A	Note 27 – Funding arrangements	The draft note makes references to the 2013 triennial valuation only. We have agreed some revisions to the wording with officers so that reference is also made to the outcome of the 2016 triennial valuation.

Misclassifications and disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
5	Disclosure	£44.8m	Investment liabilities	The fund have shown an investment liability within note 15 of the accounts to account for the year end trade between MFS and L&G that was in progress at year end. The investment liability has been included within the reconciliation provided by the custodian and is required to ensure that the asset is not double counted at year end. On the face of the net asset statement the investment liabilities of £44.8m have therefore been included net of this sum within the investment assets balance. The fund are to provide an additional narrative disclosure to Note 15 in respect of this transaction.
6	Disclosure	N/A	Note 24 – Valuation of financial instruments carried at fair value	This is the first year of the new IFRS 13 disclosures. The draft accounts did not include sufficient detail in relation to the categorisation of assets held at fair value. The fund have agreed to add an additional table in line with the presentations suggested in the CIPFA example accounts to improve compliance. While the CIPFA example accounts presentations do not fully comply with the requirements of IFRS 13, in as far as including a value for each description of asset, we are satisfied that the revisions made provide sufficient information to a reader of the accounts to ensure they would not be misled in decision making and we will work with officers to ensure that full compliance with IFRS 13 is achieved in future years.
7	Disclosure	N/A	Note 28 – Actuarial present value of promised retirement benefits	The draft statement included within the accounts only included some of the actuarial assumptions used by the actuary rather than all of those provided to the pension fund as part of the signed statement. We have agreed with officers that all assumptions should be included in the final set of statements.
8	Misclassification	£79.7m	Note 16 – Reconciliation of movements in investments	A review of this note identified that £79.7m in relation to index linked bonds had been classified incorrectly as a change in market value during the year, when it was actually a sale. This has been amended for in the final set of statements.
9	Disclosure	N/A	Note 26 – Nature and extent of risks arising from financial instruments	This note includes various sensitivity analysis that the fund has obtained. The analysis makes reference to asset types that cannot be directly reconciled back to other headings used in the accounts, e.g. Alternatives. Given the proportion of level 3 investments held by the fund we are satisfied that this would not impact on the reader of the accounts and have agreed with the fund that this will be reviewed as part of the preparation of next years financial statements.

Section 3: Fees, non-audit services and independence

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

Fees

	Proposed fee £	Final fee £
Pension fund audit	23,892	23,892
IAS 19 fee variation	1,328	1,328
Total audit fees (excluding VAT)	**25,220**	**25,220**

The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies with the PSAA regime and is consistent with that requested in prior years.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA), and is consistent with that reported in the financial statements for the 2016/17. The disclosure in the financial statements in respect of 2015/16 includes the IAS 19 fee variation of £1k, however this has not been included for 2016/17 as the variation has not yet been agreed with PSAA.

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 confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund.

Fees for other services

Service	Fees £
Audit related services	**Nil**
Non-audit services	**Nil**

Section 4: Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 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 Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Fund'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 (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.

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 auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Audit Opinion

B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICKSHIRE COUNTY COUNCIL PENSION FUND

We have audited the pension fund financial statements of Warwickshire County Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Warwickshire Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities for the statement of accounts, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts 2016/17 to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements is prepared is consistent with the audited pension fund financial statements.

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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