

Audit and Standards Committee

25th July 2018

External Auditors Governance Report 2017/18

Recommendation(s)

1. That the committee endorses and comments on the Annual Governance Report of the External Auditors for Warwickshire Pension Fund, attached at Appendix A, and consider whether there are any matters you wish to bring to the attention of Council.
2. Approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at Appendix B.

1.0 Annual Governance Report

- 1.1 Our external auditors, Grant Thornton, are required to report to those charged with governance on issues arising from the audit of the financial statements of the Pension Fund before issuing their final opinion. Their report is attached at Appendix A.

2.0 Letter of Representation

- 2.1 As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation. In the letter the Head of Finance and those charged with governance on audit matters declare that the financial statements and other presentations to the auditor are, to the best of their knowledge, sufficient, appropriate and without omission of material facts. The Audit and Standards Committee are asked to approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation for the Pension Fund at Appendix B.
- 4.2 The final version will be signed, by the Chair of the Council and the Head of Finance, when the accounts are approved by Council.

Background papers

1. None

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
Head of Service	John Betts	johnbetts@warwickshire.gov.uk 01926412441
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk 01926412564
Portfolio Holder	Peter Butlin	peterbutlin@warwickshire.gov.uk

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

Local Member(s): N/A

Other members: N/A

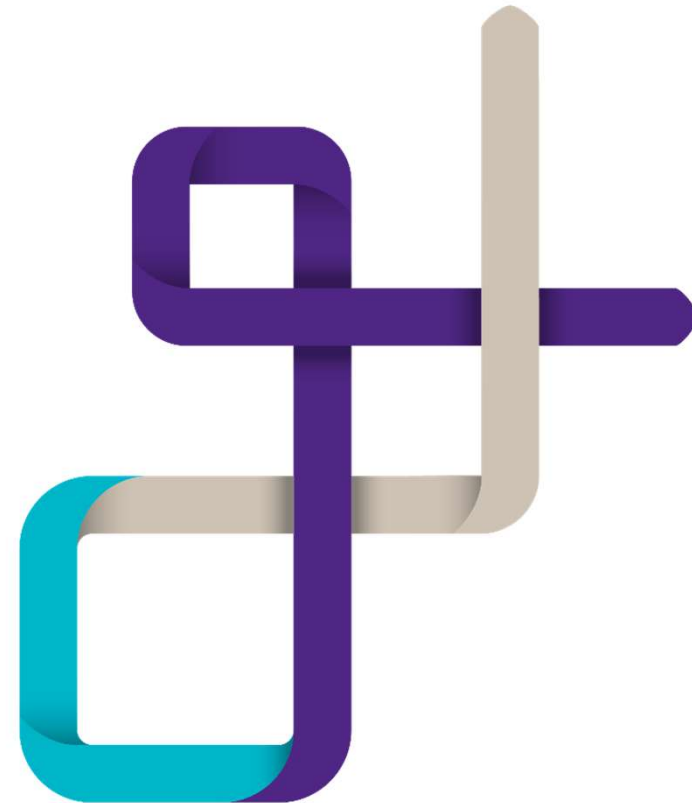
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Audit Findings

Year ending 31 March 2018

Warwickshire Pension Fund

11 July 2018



Contents



Your key Grant Thornton team members are:

Grant Patterson

Director

T: 0121 232 5296

E: grant.b.patterson@uk.gt.com

Javed Akhtar

Manager

T: 0121 232 5340

E: javed.akhtar@uk.gt.com

Georgia Beirne

Executive

T: 0121 232 5197

E: georgia.beirne@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Independence and ethics

Page

- 3
4
14

Appendices

- A. Fees
- B. Audit Opinion

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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Warwickshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting; 	<p>Our audit work was completed on site during June/July 2018. Our findings are summarised on pages 4 to 10. We have identified no adjustments to the financial statements that have affected the Pension Fund's reported financial position.</p> <p>Subject to outstanding matters being resolved, we anticipate issuing an unqualified audit opinion following presentation of this report to the Audit & Standards Committee meeting on 25 July 2018 and approval of the financial statements by the Council on 26 July 2018, as detailed in Appendix B. These outstanding items include:</p> <ul style="list-style-type: none"> receipt of the management representation letter; and review of the final set of financial statements.
-----------------------------	--	---

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit & Standards Committee.

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

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following presentation of this report to the Audit & Standards Committee meeting on 25 July 2018 and approval of the financial statements by the Council on 26 July 2018, as detailed in Appendix B. These outstanding items include:

- receipt of the management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan.

	Amount (£m)	Qualitative factors considered
Materiality for the financial statements	19.838	Based on a proportion of the net assets (1%) of the Fund for the financial year. In the prior year we used the same benchmark.
Performance materiality	14.879	Quality of financial systems and processes and the nature of the Pension Fund's income and expenditure streams. Quality of accounts and working papers in previous years and level of amendments arising from audit process.
Trivial matters	0.992	
Materiality for specific transactions, balances or disclosures	N/a	

Going concern

Our responsibility

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) 570).

Management's assessment process

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 continues to adopt the going concern basis in preparing the financial statements.

Management have confirmed that:

- no decision has been to wind up the Pension Fund and no events triggering wind up have occurred.
- they have taken into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.
- no material uncertainties related to events or conditions that cast significant doubt upon the Pension Fund's ability to continue as a going concern exist that require disclosure.

Work performed and conclusion

We have reviewed the :

- cash management report provided by the actuary - Hymans Robertson LLP
- pension funds daily cash flow forecast

Auditor commentary

Chapter 6 Section 3.4 of the CIPFA Code on the “*Presentation of Financial Statements for Pension Funds*” notes going concern as a particularly important reporting requirement and that para 3.4.2.23 of the Code applies. The CIPFA Code of Practice 2017/18 Code para 3.4.2.23 states “Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future”. For defined benefit schemes the Pension SORP 2015 gives further guidance (paragraph 3.29.6) in that even where a defined benefit scheme is significantly underfunded it should continue to be treated as a going concern for accounting purposes unless a decision has been made to wind up the scheme. The LGPS is a statutory scheme which can only be wound up by government and the presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as an announcement to wind up the administering authority.

Management have not carried out a formal written assessment in respect of the going concern of the pension fund however discussions with management have identified:

- The fund is a statutory pension provider and therefore cannot legally close.
- The actuary has set contribution rates for all employers up to 2019/20, which re-affirms that the fund intends to continue as a going concern.
- Hymans Robertson LLP, in May 2017, estimated possible future cashflows (benefits and expenses payable versus contribution income) over the short term (3 years) and identified actions required to protect the Fund over this period. They identified that cashflow was expected to be £3.2m negative in 2018/19 before returning to a £0.8m surplus in 2019/20.
- The fund also do daily monitoring of the cash position and this has been estimated going forward to cover the 12 months from the date of approval to the financial statements. This shows a positive cash balance is maintained throughout.

As such we consider that the preparation of accounts on a going concern basis is a reasonable and valid one and there are no indications of material uncertainty.

Auditor commentary

- Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption.
- Hymans Robertson LLP, in May 2017 identified that cashflow was expected to be £3.2m negative in 2018/19 before returning to a £0.8m surplus in 2019/20.
- Hymans Robertson LLP, in May 2017 The estimated future annual shortfall between contribution income and benefit outflow (£3.2m) is much less than the annual investment income (£17.6m) likely to arise from the Fund's assets.
- As at the 2016 actuarial valuation, the fund was assessed as 82% funded. This corresponds to a deficit of £358m.
- The aim is to achieve 100% solvency over a period of 19 years.
- The cashflow forecast to 20 September 2019 shows positive cash balance throughout the period.

Based upon the above we propose to issue an unmodified opinion for 2017/18.

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>1 The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable 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</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited. • the culture and ethical frameworks of local authorities, including Warwickshire County Council as the Administering Authority of Warwickshire Pension Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore we did not consider this to be a significant risk for Warwickshire Pension Fund.</p>
<p>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness. • documented the journal control environment, obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness. • evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>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 entries has not identified any significant issues.</p>

Significant audit risks

Risks identified in our Audit Plan

3

The valuation of Level 3 investments 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 identified the valuation of level 3 investments as a risk requiring special audit consideration.

Commentary

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls.
- reviewed the nature and basis of estimated values and considered what assurance management had over the year end valuations provided for these types of investments.
- considered the competence, expertise, qualifications and objectivity of fund managers used as management experts used to value Level 3 investments at year end.
- requested year-end confirmations from fund managers and custodians of all holdings and valuations at the period end together with a statement of transactions (including purchases, sales and investment income if possible) during the period.
- ensured confirmations from fund managers and custodians tied back to the accounts, and investigated any non-trivial variances.
- reviewed investment manager service auditor reports on operating effectiveness of internal controls.
- for all level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period.

Our audit work has not identified any significant issues in respect of level 3 investments.

However, as noted the valuation of these investments are subject to a degree of judgment 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 for investments held with Harbourvest was £1.8m more than that reported by the custodian. The difference has been investigated and is not material to the fund. The difference can be explained as a result of differing estimation techniques between the fund manager and the custodian and timing differences. We are therefore satisfied that the estimate is a result of applying an appropriate estimation technique and no amendment is required to the accounts

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 again noted that a review of the accounts suggests a valuation of £84.4m when compared to the custodian value of £78.1m, a difference of £6.2m. This difference is not material and is below our expectation of tolerable error. We are therefore satisfied that the estimate is a result of applying an appropriate estimation technique and no amendment is required to the accounts.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

1

Contributions

Contributions from employers and employees' represents a significant percentage of the Fund's revenue.

We identified occurrence and accuracy the risks requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Fund's accounting policy for recognition of contributions for appropriateness.
- gained an understanding of the Fund's system for accounting for contribution income and evaluated the design of the associated controls.
- 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 the number of contributing pensioners to ensure that any unusual trends were satisfactorily explained.
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.

Our work has not identified any significant issues in relation the risk identified.

However, it was noted that the contributions data sent to the actuary for one admitted body was based on eight months grossed up to full year, rather than nine months. The Pension Fund have since sent revised data for this body to the actuary. We can conclude that no other submission errors have been identified by our testing or further review by the Pension fund.

2

Pension Benefits Payable

Pension benefits payable represents a significant percentage of the Fund's expenditure.

We therefore identified completeness of pension expense as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness.
- gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls.
- 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 year to ensure that any unusual trends are satisfactorily explained.
- tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.

Our work has not identified any significant issues in relation the risk identified.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

3

The valuation of Level 2 investments is incorrect

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Fund's process for valuing level 2 investments and evaluate the design of the associated controls
- reviewed the nature and basis of estimated values and consider what assurance management had over the year end valuations provided for these types of investments
- considered of the competence, expertise, qualifications and objectivity of management experts used to value Level 2 investments at year end
- requested year-end confirmations from fund managers and custodians of all holdings and valuations at the period end together with a statement of transactions (including purchases, sales and investment income if possible) during the period.
- ensured confirmations from fund managers and custodians tied back to the accounts, and investigated any non-trivial variances.
- reviewed investment manager service auditor reports on operating effectiveness of internal controls.
- for a sample of investments, tested the valuation by obtaining independent information from custodians/managers on units and unit prices.




Our work has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management




This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Commentary	Auditor view
1	Borders to Coast Pension Partnership Limited	<p>During 2017/18, the County Council, as administering authority on behalf of the Warwickshire Pension Fund, became a shareholder in Borders to Coast Pension Partnership Limited. This is a newly set up limited company involving 12 local authorities with the specific purpose to carry out pension fund asset pooling obligations set out by the Government. Each of the twelve local authorities is an equal joint owner of the company through purchase of a £1 class A ordinary share.</p> <p>There were no significant transactions in 2017/18 however the Pension Fund has plans in place to transfer an estimated £700m in investments during 2018/19.</p>	<p>Disclosure has been provided in both the County Council and the Pension Fund financial statements with regard to this arrangement.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>There are two key policies in relation to revenue recognition: that for contribution income and that for investment income.</p> <p>Normal contributions are accounted for in the payroll month to which they relate.</p> <p>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.</p>	The policies are considered appropriate under the accounting framework in place.	 (Green)
Judgements and estimates	<p>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.</p> <p>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 chooses to rely on the valuation provided by the fund manager.</p>	<p>The policies are considered appropriate under the accounting framework in place.</p> <p>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.</p>	 (Green)
Other critical policies		We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.	 (Green)

Assessment

-  Marginal accounting policy which could potentially be open to challenge by 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 found no material omissions in the financial statements
⑦ Significant difficulties	We have not encountered any significant difficulties in the completion of our audit that we need to bring to your attention.
⑧ 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 1 st December 2018 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.

Independence and ethics

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix A

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Fees

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

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£23,892	£23,892
Total audit fees (excluding VAT)	£23,892	£23,892

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). 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'.

Non Audit Fees

Fees for other services

Fees

Audit related services:

IAS 19 Assurance to other auditors	TBC (p/y £1,328)
------------------------------------	------------------

The fee variation for IAS 19 takes account of the work we are required to undertake for admitted bodies with the PSAA regime and is expected to be 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 2017/18.

Audit opinion

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

Independent auditor's report to the members of Warwickshire County Council on the pension fund financial statements

Opinion

We have audited the pension fund (entitled "Warwickshire Pension Fund") financial statements of Warwickshire County Council (the 'Authority') for the year ended 31 March 2018 set out in Section C to the Authority's Statement of Accounts [on pages *** to **] which comprise the Warwickshire Pension Fund Account, the Net Assets Statement and Notes to the Warwickshire Pension Fund Accounts for the year ended 31 March 2018, including a summary of significant accounting policies. 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 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Head of Finance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Authority's Statement of Accounts set out on pages X to XX and Section C other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Authority's Statement of Accounts set out on pages X to XX and Section C for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page 6 in Section C, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance. The Head of Finance is responsible for the preparation of the 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 2017/18, which give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Head of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit & Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

[Signature]

GRANT PATTERSON

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

The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

25 July 2018



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Grant Patterson

Grant Thornton UK LLP

The Colmore Building

20 Colmore Circus

Birmingham

West Midlands

B4 6AT

Dear Grant

Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of (the Fund) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, other than liabilities to pay pensions and benefits after the end of the Fund year, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x We note that no adjusted misstatements, and misclassification and disclosures changes schedules are included in the Audit Findings Report.

xi We note that no unadjusted misstatements are included in the schedule included in your Audit Findings Report.

The financial statements are free of material misstatements, including omissions.

xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvi We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

xvii We have communicated to you all deficiencies in internal control of which management is aware.

xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xxi We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty. /We have drawn to your attention all correspondence and notes of meetings with regulators.

xxiv We are not aware of any reports having been made to The Pensions Regulator by any of our advisors. / We have drawn to your attention all correspondence with The Pensions Regulator confirmed to us by all of our other advisors.

xxv We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxvi We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Standards Committee at its meeting on the 25th July 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of Warwickshire County Council as administering body of the Warwickshire Pension Fund.