

Audit Progress Report

Warwickshire County Council and Warwickshire Pension Fund
Year ending 31 March 2019

May 2019



Contents

Section	Page
<u>Introduction</u>	3
<u>Progress at May 2019</u>	4
<u>Results of Interim work</u>	5
<u>Audit Deliverables</u>	7

Introduction



Grant Patterson

Engagement Lead

T 0121 232 5296

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



Jim McLarnon

Engagement Manager

T 0121 232 5219

E james.a.mclarnon@uk.gt.com

This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper includes:

- The results of our interim work in 2018/19;
- An update on our other areas of work; and
- Progress against the audit timeline

Members of the Audit and Standards Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

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 Engagement Manager.

PSAA Contract Monitoring

Warwickshire County Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out our commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at April 2019

Financial Statements Audit

Authority and Pension Fund

We have completed planning for the 2018/19 financial statements audit and undertook our interim audit between January and March.

The findings from our interim audit are summarised on pages 5 and 6 of this report.

We issued our audit plan summarising our approach to the key risks of the audit in February.

We will report findings from our post statements audit work in the Audit Findings Report by the deadline of 31 July 2019.

Council responsibilities

In our Audit Plan presented to Audit and Standards Committee in February 2019 we have communicated our expectations around the Council for timely production of the draft accounts supported by appropriate working papers.

Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

The agreed fee for the audit is £72,795 and £18,397 for the council and pension fund respectively.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "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".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified one significant Value for Money Risk – financial planning and delivery of the one organisation plan – and are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline of 31 July 2019.

Other areas

Objections

We are currently addressing three objections.

- Our decision in respect of an objection received in relation to highways apparatus (manhole covers) was issued on 18 March 2019
- We have issued provisional views in respect of an objection related to the Council's implementation of Environmental Noise Regulations. We have requested and received further clarifications from the Council's legal team and aim to issue our decision in early May.
- We have issued provisional views in respect of an objection related to the Council's use of s106 monies. We have received representations from the objector which we are considering further.

We will bring a report to the July Audit Committee on any learning for the Council from our work.

Meetings

We met with officers in April 2019 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

Our annual accounts workshop took place in February 2019 which was attended by key finance staff.

Results of interim audit work

	Work performed	Conclusions and recommendations
Internal audit	<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 considered 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 considered the work of internal audit to date, to help inform our understanding of the Council and Pension Fund control environment and inform our audit strategy for our accounts and value for money work.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<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"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the financial statements.</p>
Review of information technology controls	<p>We are currently in the process of performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the financial statements to date.</p> <p>We will report any matters identified in our audit findings report in July 2019.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council and Pension Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This includes valuation of property plant and equipment, valuation of the defined benefit pension scheme for the Council and valuation of level 3 investments for the Pension Fund. We also review the journal entry process (see below) for both entities.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented 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)

	Work performed	Conclusions and recommendations
Journal entry controls	<p>We have reviewed journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>To date we have not undertaken detailed testing on journal transactions. At the year end we will extract 'unusual' entries based on a risk assessment for further review.</p>	We have not identified any material weaknesses which are likely to adversely impact on the control environment or financial statements.
Early substantive testing	<p>We have undertaken early substantive testing in the following areas:</p> <p>Council</p> <ul style="list-style-type: none"> • Grant revenue • Other revenue (fees and charges) • Payroll analytical review • Operating expenditure • Depreciation • Review of preliminary workings in relation to new accounting standards (IFRS 9) • Consideration of the requirement to produce group accounts <p>Pension Fund</p> <ul style="list-style-type: none"> • Member data • Benefits and lump sums paid • Contributions made by employees and employers 	We have not identified any matters which are likely to result in material misstatement of the financial statements.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	February 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	May 2019	Included in this report
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Standards Committee.	July 2019	Not due yet
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not due yet
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not due yet

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.



© 2019 Grant Thornton UK LLP. Confidential and information only.

'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. This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement. The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.