

Audit and Standards Committee

Date: Thursday 30 November 2023
Time: 10.00 am
Venue: Committee Room 2, Shire Hall

Membership

John Bridgeman (Chair)
Councillor John Cooke
Councillor Sarah Feeney
Councillor Bill Gifford
Councillor Brian Hammersley
Councillor Bhagwant Singh Pandher
Robert Zara
Councillor Ian Shenton

Items on the agenda: -

2. Warwickshire County Council 2022/23 Audit Findings Report

3 - 38

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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- Declare the interest if they have not already registered it
- Not participate in any discussion or vote
- Leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

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The public reports referred to are available on the Warwickshire Web
<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

The Audit Findings for Warwickshire County Council

Year ended 31 March 2023



Contents



Your key Grant Thornton team members are:

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C. Follow up of prior year recommendations
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This Audit Findings 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. Its contents have been discussed with management and the Audit and Standards Committee.

Avtar S Sohal

Name: Avtar Sohal

For Grant Thornton UK LLP

Date: 30 November 2023

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 planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwickshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed on site and remotely during July-November. Our findings are summarised on pages 6 to 19. To date, we have identified 2 adjustments to the financial statements, however these do not have an impact on the Council's overall financial position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix H) or material changes to the financial statements, subject to the following outstanding matters;

- completion in procedures in relation to IFRIC 14 in respect of Pension Asset
- final review of responses in respect to technical review of the financial statements
- receipt of management representation letter; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is now complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 20, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on an outstanding accounts objection for the year ended 31 March 2018 and procedures required by HM Treasury as part of the Whole of Government Accounts (WGA) exercise.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us to work constructively with the team to not to fall behind and to issue a timely audit opinion.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Warwickshire County Council's borrowings have remained consistent over recent years.

2. Financial Statements

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 have been discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 Council's business and is risk based, and in particular included:

- An evaluation of the Council'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 the Council meeting on 19 December 2023, as detailed in Appendix H. These outstanding items have been detailed on Page 3.

Acknowledgements

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

2. Financial Statements



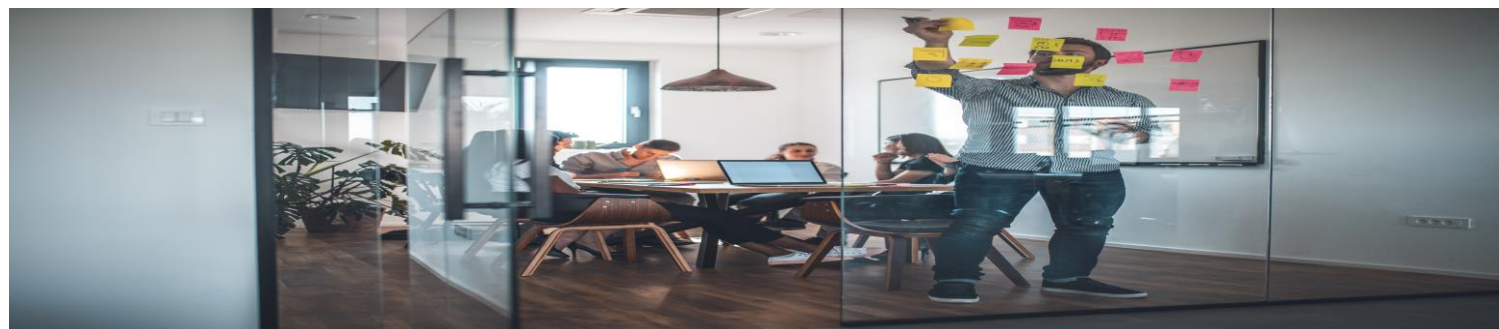
Our approach to materiality

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 levels remain the same as reported in our audit plan on 20 July 2023.

We set out in this table our determination of materiality for Warwickshire County Council

	Amount (£)	Qualitative factors considered
Materiality for the Council financial statements	17m	Approximately 1.5% of your gross expenditure for the year
Performance materiality	12.75m	<p>Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based on a number of factors:</p> <ul style="list-style-type: none"> We are not aware of a history of significant deficiencies in the control environment; There has not historically been a large number or significant misstatements arising; Senior management and key reporting personnel has remained stable from the prior year audit; There is not a significantly increased number of accounting issues that require significant judgment compared to prior years; and The entity operates from one location in the United Kingdom. We do not therefore consider that this generates additional aggregation risk.
Trivial matters	0.875m	<p>Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.</p> <p>Taken as a proportion of the materiality threshold, we consider that any matters below this threshold would be clearly inconsequential, taken individually or in aggregate</p>
Materiality for specific transactions, balances or disclosures	Senior Officers 0.021m	This is an area of specific interest to users of the financial statements and include sensitive balances



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high-risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Conclusion:</p> <p>As a result of our journals work to address the significant risk of management override of control, we have not identified any significant issues. In addition, we have concluded that there are no indications of management bias in estimates included in the financial statements.</p> <p>We have reviewed the Council’s material accounting estimates and have found these to be reasonable, with further details on pages 13 to 15. Our review of the accounting policies concluded that they were reasonable.</p> <p>From our work we have identified one control recommendation:</p> <ol style="list-style-type: none"> 1) We have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Council's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. <p>This has been reported in Appendix B.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and building

The Council revalues its land and buildings on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of the Council's land and buildings as a significant risk.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register
- engaged our own expert valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation.

Conclusion

We have reviewed the accounting estimate for year ended 31 March 2023 as performed by current valuer WHE and are satisfied that this has been calculated on a reasonable and appropriate basis in line with the relevant accounting and other professional standards and is free from material misstatement.

We have raised 2 control recommendations to the Council which have been reported in Appendix B.

1. For assets valued using the depreciated replacement cost (DRC) basis, one of the key inputs into the valuation is the build cost per square metre, taken from national data ranges adjusted for local factors. When determining the value an asset, the valuer is required to use their judgement when considering an appropriate build cost to use, based on the nature and type of the asset. Whilst we are satisfied that the appropriate type of build costs have been applied to each asset, the valuer has used the mean build cost for every asset. We believe that the valuer should consider the range of data available and tailor the build cost used for each asset based on the condition of the building.

2. We have identified that the Council has a large number of assets within their fixed asset register which are held at nil net book value. The gross book value of these assets is £37.8m and whilst there is no impact on the balance sheet, this does increase the gross book value and accumulated depreciation values.

Given that this balance is material, upon testing to see if these assets existed, it has been noted that many items had been disposed/derecognised over the years. The Council have undertaken an exercise to remove the assets that do not exist from their asset register, however there are still assets which the Council are unsure of. Whilst the residual balance is not material, there is the risk that the gross values within the PPE note is inflated.

Overall, we are satisfied that the valuation of land and buildings is not materially misstated.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Fraud in revenue recognition (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted

Conclusion:

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:

- 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 County Council, mean that all forms of fraud are seen as unacceptable

Therefore, at the planning stage we did not consider this to be a significant risk for Warwickshire County Council. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision

The expenditure cycle includes fraudulent transactions (rebutted)

Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets.

Having considered the risk factors relevant to the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply.

Conclusion:

At the planning stage we did not consider this to be a significant risk for County Council. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the net defined benefit pension fund liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statement. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers.

We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Conclusion

We have completed much of our audit procedures on this audit area. However, we are yet to finalise the accounting treatment of the potential net asset with regards to IFRIC14, which requires more audit testing.

We have commented on the key judgements and estimates on page 14.


2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.





Issue	Commentary	Auditor view
<p>IT Audit</p> <p>Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council that was performed in the prior year. This included the following systems:</p> <ul style="list-style-type: none"> • Agresso • Altair • YourHR (iTrent) • Active Directory 	<p>Our review identified the following new deficiency:</p> <ul style="list-style-type: none"> • Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. <p>Two other improvement recommendations were identified in relation to the password settings not being compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.</p>	<p>See appendix B where this has been reported as a control deficiency.</p> <p>In respect of the new risk identified, we have considered this in our response to the significant risk of management override of controls and have not noted any instances whereby have posted inappropriate journal entries to the ledger. We have also not identified any actual or suspected instances of management override of control.</p> <p>A separate audit findings report has been issued to management in respect of our IT general controls audit with recommendations which the Council should consider for future periods.</p>

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £762.3m	<p>Other land and buildings comprises of specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision and assets not specialised in nature, and are required to be valued at existing use in value (EUV) at year end.</p> <p>Surplus assets are measured at fair value at the balance sheet date, based on highest and best use.</p> <p>The Council has engaged Wilks Head & Eve to complete the valuation of all assets as at 31 March 2023 which is consistent with the prior period.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs, internal floor areas and pupil numbers; and for both EUV and DRC assets: condition assessments from inspections carried out, information provided by the Council and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>The valuation of properties valued by the valuer has resulted in a surplus on revaluation of £60m. There are a number of factors which have led to this increase however the most marked increase is due to the inflationary impact on relevant indices in 2023.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a sample of assets. We have analysed the method, data and assumptions used by management to derive the estimate The estimate is adequately disclosed in the financial statements. We are satisfied that the prior period valuation is accurately stated in all material respects. 	<p> We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

-  [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious



2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																
Net pension liability – £255.9m	<p>The Council's total net pension liability at 31 March 2023 is £255.9m (PY £901.1m), comprising the Warwickshire Local Government pension scheme, firefighters pension schemes and teachers unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £703.8m net actuarial gain during 2022/23</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, Hymans Robertson is competent, capable and objective Underlying information used to determine the estimate has been appropriately rolled forward from the latest triennial valuation The actuarial methodology applied in calculating the estimate is reasonable and in line with industry practice and peers <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.95-3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.95%</td> <td>2.95-3.95%</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The estimate of the net defined liability is lower than in the prior period which is in line with the expectation of our auditor's expert Sensitivities disclosed in the note to the financial statements are reasonable The estimate has been appropriately included in the key areas of estimation uncertainty disclosure The estimate is adequately disclosed in the financial statements 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	2.95%	2.95-3%	●	Salary growth	3.95%	2.95-3.95%	●	<p>●</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value	PwC range	Assessment																
Discount rate	4.75%	4.75%	●																
Pension increase rate	2.95%	2.95-3%	●																
Salary growth	3.95%	2.95-3.95%	●																





Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £537.8m	The Authority have received substantial grant funding in the year. These revenue streams are reviewed for terms and conditions which may indicate that the Authority is only acting as a distributing agent and therefore this income would not be recognised in the financial statements. Where the Authority is acting as Principal, this income is recognised accordingly in the Comprehensive income and expenditure statement and balance sheet where applicable.	<ul style="list-style-type: none"> Grant income has been tested substantively on a coverage basis and for amounts recognised in the financial statements, we are satisfied that this is appropriate on a principal basis. Where grant restrictions are in place, these have been adhered to and amounts held. We are satisfied that underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income are complete and accurate. The Council have identified two amendments to the grants note which have been reflected in Appendix D. The disclosure of accounting treatment and key judgements made by management in the financial statements is adequate 	 <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Minimum Revenue Provision - £10.5m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £10.5m, which was broadly consistent with 2021/22.</p>	<ul style="list-style-type: none"> The MRP has been calculated in line with the prior period and on a prudent basis as required by statutory guidance. This is determined on a straight line basis of the remaining useful economical life of assets acquired by debt No changes to the authority's policy on MRP have been made and therefore there was no requirement to discuss and agree with those charged with governance 	 <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	ITGC control area rating				Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Unit 4	ITGC assessment (design and implementation effectiveness only)					User access within Agresso is not revoked in a timely manner	We have considered this in our response to the significant risk of management override of controls and have not noted any instances whereby management have posted inappropriate journal entries to the ledger.
iTrent/ YourHR	ITGC assessment (design and implementation effectiveness only)					1. Password settings not compliant with password policy 2. Lack of formal review of the YourHR iTrent Service Auditor Report	No impact on audit strategy
Altair	ITGC assessment (design and implementation effectiveness only)					None identified	N/A
Active Directory	ITGC assessment (design, implementation and operating effectiveness)					None identified	N/A

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee and not been made aware of any other incidents in the period. In addition, no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We have raised a recommendation in relation to the Council's process for identifying related parties – this is shown within Appendix B.
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.
Written representations	A letter of representation has been requested from the Council, which is appended and included in the Audit and Standards Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to their bank and investments. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, see Appendix D for disclosure changes proposed as a result of audit procedures performed.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the threshold and therefore on receipt of 2022/23 assurance statement this will be submitted in line with the relevant deadline</p>
Certification of the closure of the audit	<p>We intend to delay the certification as the closure of the 2022/23 audit of Warwickshire County Council in the audit report, due to an outstanding accounts objection to the 2017/18 accounts.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Please see Auditors Annual Report for 2022/23.

5. 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 and consider that an objective reasonable and informed third party would take the same view. 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

5. Independence and ethics

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 Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £130,070 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insights subscription	12,000	Self-Interest (because this is a recurring fee)	A fee of £36,000, for a three-year subscription to CFO insights (£12,000 per year), was paid by the Council in 2020/21. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £130,070 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to you. All services have been approved by the Audit and Standards Committee. None of the services provided are subject to contingent fees.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation - presented as a separate report
- H. Audit opinion - presented as a separate report

A. Communication of audit matters to those charged with governance

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 including significant risks	•	
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	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings 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

As auditor we are responsible for performing the audit in accordance with ISAs (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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. 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.

Assessment	Issue and risk	Recommendations
Medium	<p>Lack of journals authorisations</p> <p>From our review of the journals control environment, we have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Council’s monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger.</p> <p>This is consistent with prior year findings as noted in Appendix C.</p>	<p>The Council should introduce controls to ensure that each journal posted to the ledger is appropriately authorised by someone more senior to the poster.</p> <p>Management response</p> <p>There were over 239,000 journals posted in the financial system in 2022/23. Journal postings to the WCC ledger do not require second user approval or authorisation. We remain satisfied that there are sufficient mitigating controls, including restrictions of journal posting access to mitigate the risk of the financial statements being materially misstated management override of controls.</p> <p>In January 2024, the financial system is being transferred from its current on-premises setup to a cloud-based solution. Internal audit and corporate finance are actively engaged in the project. Through this involvement we will be able to monitor and assess any impact on the journal types and assess whether any further controls are needed.</p>
Medium	<p>IT general controls audit</p> <p>Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council and Pension Fund that was performed in the prior year. This identified the following new deficiency:</p> <ul style="list-style-type: none"> - Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. <p>Two other improvement recommendations were identified in relation to the password settings not compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.</p>	<p>A separate audit findings report has been issued to management in respect of our IT general controls audit with recommendations for the control deficiencies identified adjacent.</p> <p>Management response</p> <p>For Agresso and YourHR the password functionality uses Single Sign on. This method uses an individual’s Active Directory user ID and password and, if necessary, uses Microsoft Authenticator as a Dual Factor Authentication. All Active Directory accounts require passwords to meet strict complexity rules.</p> <p>The Authority has processes and procedures in place that ensure that Active Directory Accounts are closed down in a timely manner, which in turn ensures the same levels of control are cascaded to Agresso/Unit 4 and YourHR as soon as IT are aware. We will review the guidance for managers for when an employee leaves to make sure the need to inform IT promptly is highlighted.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p>Completeness of declaration of interests</p> <p>Our testing of related parties via a search of Companies House identified a directorship of a member that was not declared or disclosed. Although we are satisfied that no transactions took place with the Council, incomplete declarations of interest lead to the risk that the Council does not understand its related parties.</p>	<p>We recommend that at least once per year, the Council should undertake a completeness review of related parties including:</p> <ul style="list-style-type: none"> Ensuring all disclosure returns are received from senior management and members, including nil declarations and from those that leave their role during the year. Undertaking searches on Companies House to identify any undeclared directorships. <p>Management response</p> <p>Democratic Services require all Members to review their register of interests declaration at least on an annual basis and this forms basis of the disclosure in the accounts. Going forward, to ensure that disclosures are captured we will continue to follow-up any missing declarations and supplement this by a Companies House search.</p>
Medium	<p>Review of the asset register</p> <p>We have identified that the Council has a large number of assets within their fixed asset register which are held at nil net book value. The gross book value of these assets is £37.8m and whilst there is no impact on the balance sheet, this does increase the gross book value and accumulated depreciation values.</p> <p>Given that this balance is material, upon testing to see if these assets existed, it has been noted that many items had been disposed/ derecognised over the years. The Council have undertaken an exercise to remove the assets that do not exist from their asset register, however there are still assets which the Council are unsure of. Whilst the residual balance is not material, there is the risk that the gross values within the PPE note are inflated.</p>	<p>We recommend that the Council undertakes a full review of their asset register and to remove items which are no longer in use to ensure that the PPE note is materially accurate.</p> <p>Management response</p> <p>We have already put in place changes to our processes and procedures in response to this finding. Instead of asking managers whether they have disposed of any assets in the year we will in future provide them with a list of assets and ask them to positively confirm the asset is still in use within the Service. We will then update the asset register in light of managers' responses.</p>
Low	<p>Accurateness of the valuation methodology</p> <p>For assets valued using the depreciated replacement cost (DRC) basis, one of the key inputs into the valuation is the build cost per square metre, taken from national data ranges adjusted for local factors. When determining the value an asset, the valuer is required to use their judgement when considering an appropriate build cost to use, based on the nature and type of the asset. Whilst we are satisfied that the appropriate type of build costs have been applied to each asset, the valuer has used the mean build cost for every asset. We believe that the valuer should consider the range of data available and tailor the build cost used for each asset based on the condition of the building.</p>	<p>We recommend that the Council should challenge and review the build costs applied by their Valuer as part of their valuations on an annual basis.</p> <p>Management response</p> <p>As part of our quality assurance of the information provided by the valuer we will continue to require our valuer to comment as to why the build cost used is appropriate for the nature and type of asset.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Warwickshire County Council's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journals review and approval</p> <p>Currently there are no review and approval mechanisms in place in respect of journal postings to the ledger i.e. where an individual has appropriate access, they are able to do this without any independent review or segregation of duties. It should be noted that this does not reflect a change in the business processes of the Council and this is consistent with prior periods but rather, is being highlighted due to a change in our approach to journals testing.</p> <p>There are compensatory controls in place in the form of budget monitoring and by the restriction of relevant access as alluded to however this still increases the risk of management override of controls.</p>	See our comments on page 27
✓	<p>IT general controls audit</p> <p>Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council and Pension Fund that was performed in the prior year. This identified the following new deficiency:</p> <ul style="list-style-type: none"> Lack of segregation of duties whereby seven members of staff have administrative and financial privileges that create a risk that system enforced internal controls can be bypassed. 	
✓	<p>Infrastructure Assets</p> <p>Currently, infrastructure assets are recorded as single line in the authority's fixed asset register and are depreciated using a blanket useful economic life of 30 years.</p> <p>While we are satisfied that this would not lead to a material misstatement of depreciation charged, in line with accounting standards each class of assets should be considered on its own merits and we would therefore expect that more precise recording of infrastructure assets is undertaken and the estimate of useful economic life is specific to the anticipated rate of economic consumption of a particular asset Notwithstanding the statutory instrument that has been issued, which is intended to be a short term solution, we recommend that management review the accounting arrangements for infrastructure assets and in particular the estimate of useful economic life for reasonableness.</p>	

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail

Grant Income

The Council have identified that £1.5m of income and expenditure relating to the Pupil Premium Grant has been overstated within 2022/23. The Council will amend the financial statements to correctly reflect the revised figures. We are still working through this amendment, so will confirm the impact to the accounts, however, we expect this to have nil impact on the overall financial position reported in the financial statements.

Grant Income

The Council have identified that £15.1m of grants relating to the Better Care Fund have been charged to the Net Cost of Services, rather than to the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement. The Council have agreed to amend this within the updated financial statements. We are still working through this amendment, so will confirm the impact to the accounts, however, expect this to have nil impact on the financial position reported in the financial statements.

D. Audit Adjustments

Misclassification 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.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 40 – Related Parties	The Council have updated disclosures to give users more details regarding Group entities.	✓
Note 8 – Property, Plant and Equipment	As within Appendix B, the Council have completed a review of assets held at nil net book value and have identified assets with a gross book value of £24m to be removed from the note. This impacts the gross book value and gross accumulated depreciation and has no impact on the closing balances of PPE.	✓
Statement of Accounting Policies	It has been identified that the Council have noted that they do not accrue for income and expenditure of non-system generated accruals under £50,000. Upon challenge and from our testing, we have noted that this is incorrect and the de-minimis level should be £1,000 for revenue and £6,000 for capital items. The Council have agreed to update their accounting policies to reflect this.	✓
Pooled Budgets	The Council have updated the note to reflect updated guidance.	✓
CIES and EFA	The CIES reports a change in the management structure affecting the reported segments reflected in the CIES and the EFA. This change has a material impact on the current year and so the prior year comparatives should be restated to remain comparable. The CIPFA Code 3.4.2.32 states that if the LA changes the presentation or classification of items in its financial statements, the LA shall reclassify comparative amounts unless reclassification is impracticable. The reclassification of services within directorates constitutes such a reclassification which requires restatement of prior year comparatives. The CIES and EFA prior year comparatives will be restated to present the performance as though Education Services was classified within the People Directorate in 2021/22, as well as 2022/23.	✓
Review of the financial statements	The Council have updated elements of narrative and disclosures throughout the financial statements to help improve understanding for a reader.	✓
Technical review of the financial statements	As part of our technical review of the accounts, we have identified a number of agreed adjustments and proposed adjustments to ensure that the accounts are in line accounting standards and the CIPFA code. These are still being finalised between management and the audit team.	TBC

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

Our audit testing has not identified any unadjusted misstatements.

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Pension fund actuarial gain Adjustment in respect of actuarial gain experienced on revised valuation of pension fund assets	(6,798)	6,798	-	Immaterial to the results of the Council and its financial position
Collection Fund accounting Adjustment in respect of differences due to/ owed by the County Council in respect of the 2021/22 collection fund outturn.	2,223	(2,223)	2,223	Immaterial to the results of the Council and its financial position
Overall impact	(£4,575)	£4,575	£2,223	



E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee published for 22/23	£85,920	£85,920
Additional work on Value for Money (VfM) under new NAO Code*	£19,000	£24,000
Work of External Expert in respect of PPE	£5,000	£5,000
Increased audit requirements of revised ISAs 540	£5,000	£5,000
EQCR Additional Review requirements per FRC	£1,500	£1,500
Enhanced audit procedures on journals testing	£5,650	£5,650
Payroll – Changes of Circumstances employees testing	£500	£500
Increased audit requirements of revised ISA 315	£5,000	£5,000
Infrastructure Assets	£2,500	£2,500
IFRIC 14 Pension Asset and Technical review of financial statements**	£0	£5,000
Total audit fees 2022/23 (excluding VAT)	£130,070	£140,070

*We have completed additional work on VfM than expected on planning due to undertaking a more extensive review of capital project management

** We have also had to do increased testing in relation to the Pension Asset which was accounted for by the Council, under IFRIC 14 IAS19. and Technical review of financial statements.

All additional fees are subject to PSAA approval.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teachers' Pensions Return	10,000	10,000
Non-Audit Related Services		
CFO Insights Subscription	12,000	12,000
Total non-audit fees (excluding VAT)	£22,000	£22,000

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At the time of the Council preparing the financial statements, the audit fees for 2022-23 had not been communicated to management, therefore accurate fees have not been reported in Note 31. The Council will amend the note to reflect the fees within the final version of the financial statements.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

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Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

