

Audit and Standards Committee

Date: Thursday 25 May 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
Councillor Ian Shenton
Robert Zara

Items on the agenda: -

1. General

(1) Apologies

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

(3) Minutes of the previous meeting 5 - 10

To receive the minutes of the Audit & Standards Committee meeting held on 23 March 2023.

2. External Auditors Annual Audit Report 2021/22 - County Council Management Response and Action Plan 11 - 58

To receive the final 2021/22 Audit Findings report and consider the management response to the recommendations in the External Auditors report.

3. External Auditors' Annual Audit Report 2021/22 - Warwickshire Pension Fund Management Response and Action Plan 59 - 96

This report sets out the final 2021/22 Audit Findings report and asks the committee to consider the management response to the recommendations therein.

- 4. Warwickshire County Council - External Audit Risk Assessment 2022/23** 97 - 132
To consider the Audit Risk Assessment for 2022/23 and to note that the Strategic Director for Resources will update this assessment if any further information becomes available prior to the draft 2022/23 Statement of Accounts being issued.
- 5. Warwickshire Pension Fund - External Audit Risk Assessment 2022/23** 133 - 162
To consider and comment on the Audit Risk Assessment for 2022/23, attached at Appendix 1 to the report.
- 6. Draft Annual Governance Statement 2022/23** 163 - 194
The Committee is asked to endorse the Draft 2022/23 Annual Governance Statement for onward consideration by the Council's External Auditor.
- 7. Audit & Standards Committee - Annual Report 2022/23** 195 - 202
To receive the Annual Report of the Audit and Standards Committee for the period 2022/2023.
- 8. Work Programme and Future Meeting Dates** 203 - 206
To consider the items for the Committee's Work Programme and note the dates of future meetings to be held at Shire Hall, Warwick, as follows:
- 20 July 2023
 - 21 September 2023
 - 30 November 2023
 - March 2024 - TBC
- All meetings to commence at 10am.
- 9. Any Other Business**
- 10. Reports Containing Exempt or Confidential Information**
To consider passing the following resolution:
- 'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'.
- 11. Internal Audit Progress Report** 207 - 234
The Committee is asked to consider the results of internal audit work completed and the outcome of the External Quality Assessment of Conformance to the Public Sector Internal Audit Standards.

12. Exempt Minutes of the Audit & Standards Committee - 23 March 2023

235 - 238

To receive the exempt minutes of the Audit & Standards Committee held on 23 March 2023.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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A member attending a meeting where a matter arises in which they have a disclosable pecuniary interest must (unless they have a dispensation):

- 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

Non-pecuniary interests relevant to the agenda should be declared at the commencement of the meeting.

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

Public Speaking

Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council's Standing Orders.

COVID-19 Pandemic

Any member or officer of the Council or any person attending this meeting must inform Democratic Services if within a week of the meeting they discover they have COVID-19 or have been in close proximity to anyone found to have COVID-19.

Audit and Standards Committee

Thursday 23 March 2023

Minutes

Attendance

Committee Members

John Bridgeman (Chair)
Councillor John Cooke
Councillor Bill Gifford
Councillor Brian Hammersley
Councillor Christopher Kettle
Robert Zara
Councillor Sue Markham

Officers

Amy Bridgewater-Carnall, Senior Democratic Services Officer
Sioned Harper, Solicitor - Adults and Education Legal Team
Andrew Felton, Assistant Director - Finance
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance)
Rob Powell, Strategic Director for Resources
Paul Williams, Delivery Lead – Governance Services

1. General

The Chair welcomed everyone to the meeting.

(1) Apologies

Councillor Sue Markham substituted for Councillor Bhagwant Singh Pandher. The Chair welcomed her to her first Audit & Standards Committee meeting.

Apologies for absence were received from Councillor Sarah Feeney, and officers, Virginia Rennie and Nic Vine.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

There were none.

(3) Minutes of the previous meeting

The minutes of the meeting held on 26 January 2023 were agreed.

2. Scrutiny Review Update

The Committee received a report on the progress made on the implementation of the Scrutiny Review Action Plan and the plans for the continued development of the Council's approach to scrutiny.

Paul Williams, Delivery Lead – Governance Services, introduced the report explaining that all Local Authorities had a statutory responsibility to operate an Overview and Scrutiny Committee. He explained that, having been involved in scrutiny for over 20 years, he was confident that the County Council managed a very successful scrutiny function but recognised that any system could be improved. The report provided background advising that, following a review of Overview and Scrutiny in 2020 by Dr Jane Martin CBE, she had produced a report, including recommendations, and the progress made on these were included in Appendix 1.

Paul Williams gave further detail and explanation as to how the draft principles outlined at paragraph 1.6 of the report, worked in practice and how these underpinned the values and culture of Warwickshire County Council. He advised that a workshop was planned after Annual Council in May, to help finesse the principles, with external trainer Beth Evans undertaking the training.

Following a question from Councillor Cooke, the acronym relating to SMART objectives was clarified as Specific, Measurable, Achievable, Relevant, and Time-bound.

The Chair opened up the discussion and queried how well Councillors felt the scrutiny process worked. Following a question from Councillor Kettle, the definition of scrutiny was expanded on. Councillor Hammersley felt that scrutiny should result in an elected member having the same knowledge as the administration with good transparency of decision making, enabling everyone to recognise problems and help to find solutions. He also noted that it was important for members of the public to see that the Council was being run properly and was not encountering problems similar to other authorities in the country.

Councillor Gifford raised a concern that scrutiny did not have sufficient time to scrutinise past decisions, with many authorities focusing on upcoming decisions rather than past ones. He highlighted the difference that at District level, scrutiny was chaired by opposition Members but he noted that the County Council had independently minded Chairs and recognised that this choice often depended on the party numbers involved.

Councillor Markham outlined her experience of scrutiny at Nuneaton & Bedworth Borough Council and felt this had helped her gain an understanding of the subjects being discussed. She highlighted that scrutiny members had to commit to reading and digesting a lot of information in order to be effective in their role.

Councillor Kettle highlighted the importance of the Overview and Scrutiny Committees' scope and how this could alter the effectiveness of scrutiny. He also referred to paragraph 1.13 which related to measuring effectiveness and how this could be achieved. It was agreed that most Members were able to leave any political bias at the door and this did not appear to be an issue at the County Council.

In response to a question from the Chair, Paul Williams outlined who would be invited to the workshop training in May and extended the invitation to any member of the Committee. It was agreed that the Chair would like to be involved.

The Chair thanked Paul Williams for a very full account and assured him of the Committee's support.

Resolved that the progress made on implementation of the Scrutiny Review Action Plan and the plans for the continued development of the Council's approach to scrutiny, are noted.

3. CIPFA Financial Management Code - Warwickshire County Council Self-Assessment 2022/23

The Committee received a report outlining the progress made on the delivery of the planned improvements in financial management during 2022/23, attached as Appendix A to the report. In addition, the report included an updated Council self-assessment which reflected the changes made and detailed the improvements planned for 2023/24, attached as Appendix B.

Andy Felton, Assistant Director - Finance, introduced the report and explained that this document set out the minimum standards the local authority was expected to comply with. The financial management standards helped assure everyone that the Council was making good financial decisions and was delivering good value for money. He highlighted that CIPFA and the Council's external auditors, Grant Thornton, expected the Council to reach these minimum standards, in order to produce good quality accounts and to comply with the code. However, it was stressed that the Council continued to strive to deliver better than the minimum standards expected and go beyond what was being asked for.

Robert Zara requested assurance and clarification on why the level of activity through the two investment vehicles detailed on page 42, Warwickshire Recovery Investment Fund (WRIF) and the Warwickshire Property and Development Group (WPDG), had been lower than anticipated over the past two years. Andy Felton explained the governance processes involved in the separate schemes and the circumstances which led to changes in timescales, investment levels and the level of interest being achieved.

Members noted that the main driver for the WRIF was to respond to the market and deliver deals that were right for the Council and which would stimulate the appropriate developments for Warwickshire. The investment profile had not been as envisaged due to subsequent economic and global factors impacting the market, interest rates and inflation. In relation to the WPDG, the Committee were assured that the governance arrangements were very solid, had a good level of Member oversight and necessary controls at all stages.

Following a question from Councillor Kettle, Andy Felton outlined who had access to financial information, explained the forecasting and budgeting process, how this was overseen, managed and monitored and the various training packages delivered.

The Chair asked how officers decided the level of standards to aspire to. In response Rob Powell explained that the authority had invested a lot in improving financial performance, resulting in the ability to deliver savings and run cost-effective services. He assured the meeting that the Council was well-run and officers were not over-complying or gold-plating.

Councillor Kettle raised a query relating to the Corporate Board 'Quarterly Stocktake' as he hoped that the updates were being provided more frequently than every three months and Andy Felton advised that there were ongoing monthly financial reports to Corporate Board, as well as the more strategic quarterly stocktake of the Council's overall portfolio of work. The Chair queried the reporting process for the quarterly stocktake and was advised that these papers flowed into the reports considered at Cabinet, and so would be visible to the Committee through the public Cabinet papers.

Rob Powell expanded on the wider purpose of the Quarterly Stocktake and explained how the evolution of this had flowed from the LGA Peer Challenge last year. He gave an example of one of the issues that Corporate Board was looking into in greater detail which had led to the Home to School Transport Member Working Group being set up.

Councillor Hammersley stated that he was satisfied with the information contained in the report and due to the extensive responsibilities of the officers, he had confidence they were competent in their roles.

Having considered the report, the Committee

Resolved that

- 1) the progress made on the delivery of the planned improvements in financial management during 2022/23, is noted; and
- 2) the Council's assessment of its compliance with the CIPFA Financial Management Code and the improvements planned for 2023/24 have been considered and are noted.

4. Internal Audit Plan 2023/24

The Committee received a report which outlined the proposed Internal Audit Strategy and Plan for 2023-24, attached at Appendix A to the report.

Following discussions with Legal, the Chair advised that the recommendation would be amended to reflect the Committee's responsibility to approve the plan, not endorse it.

Paul Clarke, Internal Audit Manager, introduced the internal strategy and plan for the next year, which provided assurance that the Council was maintaining an effective control environment that enabled it to manage its significant business risks. He provided an overview of the different appendices attached to the report and highlighted key information within them. Paul Clarke also referred to the Audit Charter which had been reviewed but no changes made. It had therefore been included for completeness.

It was noted that the Audit team were carrying staff vacancies but Paul Clarke felt that resources were stable and sufficient at the present time.

Robert Zara asked for reassurance relating to Strategic Risk number 16, which dealt with a potential loss to the Council from investments. Paul Clarke explained that this risk related mainly to a potential risk of detriment to the Council's reputation and went on to assure that the audit plan would be looking at WRIF and WPDG in due course as part of the portfolio of planned work.

Councillor Kettle raised a query relating to third party suppliers and the assurance that the Council was achieving value for money. Officers advised that Value for Money was considered within the audit of procurement services and stand-alone studies were not carried out.

Councillor Gifford felt that this was an issue that should be dealt with at the procurement stage and should be part of the planning for individual departments. He did not feel that Councillors could investigate every item that was procured and Internal Audit were limited as to how deeply each item could be looked into. In response, Councillor Kettle explained that he thought the relationship between procurement and the contractor should be looked at because it could lead to a lack of control in the cost of work.

The Chair supported the point and noted that processes could be looked at to ensure the right value for money decisions were being taken.

Rob Powell reminded the meeting that the Medium-Term Financial Strategy focused heavily on savings and efficiencies whilst the service areas were concerned with contract management. He gave assurance that CIPFA benchmarking and national satisfaction surveys placed the authority as very cost effective and high performing in terms of highways maintenance and that officers were always looking for better value for money through third party spend.

The Chair concluded the discussion by summarising that the internal audit general programme of work looked sensible and the risk assessment looked good. Councillor Gifford was pleased that SEND was on the work programme.

Resolved that the Internal Audit Strategy and Plan for 2023/24, attached at Appendix A, is approved.

5. Work Programme and Future Meeting Dates

The Committee considered the Work Programme and noted that the SEND item had been added for future consideration along with the Committee's Annual Report.

The Chair also advised that both he and the Vice-Chair would struggle to attend the 21 March 2024 meeting date and it was agreed that an alternative date would be circulated in due course.

6. Any Other Business

There was none.

7. Reports Containing Exempt or Confidential Information

Agreed

8. Internal Audit Progress Report

The Committee received a confidential update.

The meeting ended at 11:35

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Audit and Standards Committee

25 May 2023

External Auditors Annual Audit Report 2021/22 - County Council Management Response and Action Plan

Recommendation(s)

That Audit and Standards Committee:

1. notes the final 2021/22 Audit Findings report attached at Appendix A; and
2. considers the management response to the recommendations in the external auditors reports as set out in Appendix B.

1. Annual Audit Reports for 2021/22

- 1.1 Our external auditors, Grant Thornton, prepare two annual reports to those charged with governance each year. The first is the Annual Audit Letter which was considered by this Committee on 26 January 2023. The second is the report on issues arising from the audit of the County Council's financial statements before issuing their final opinion, known as the Audit Findings report. A draft of this second report was also considered by the Committee at its meeting in January.
- 1.2 Since the January meeting a signed audit opinion for 2021/22 has been received and the financial statements published. Part of the final sign-off process was the issuing, by the external auditors, of an updated Audit Findings report. The updated report was shared with the Chair, in March, prior to the audit opinion being issued. To close the governance loop this final Audit Findings report is attached for the Committee's information at **Appendix A**. For ease, the changes from the draft report considered in January are highlighted and can be seen on pages 3, 5, 9, 11, 18 and 25.

2. Management Response and Action Plan

- 2.1 The 2021/22 Annual Audit Report included three improvement recommendations. There were no statutory or key recommendations.
- 2.2 The final 2021/22 Audit Findings report included four recommendations, assessed as medium for having limited effect on the financial statements. There were no recommendations assessed as 'high', having a significant effect on the financial statements.

- 2.3 The Authority takes account of all observations and recommendations from independent reviews in the way it operates, to ensure it can demonstrate it operates effectively and provides value for money for taxpayers and the people of Warwickshire. The proposed management response and action plan to the recommendations from both reports is attached at **Appendix B**.

3. Financial Implications

- 3.1 There are no material financial implications for the authority as a result of the issues raised in this report.

4. Environmental Implications

- 4.1 None.

Appendices

- A. WCC Audit Finding Report 2021/22 - Final
- B. Annual Audit Reports Action Plan

Background Papers

None

	Name	Contact Information
Report Author	Virginia Rennie Strategy and Commissioning Manager – Strategic Finance	vrennie@warwickshire.gov.uk
Assistant Director	Andy Felton Assistant Director - Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

Members were not consulted in the preparation of this report.

The Audit Findings for Warwickshire County Council

Year ended 31 March 2022



Contents



Your key Grant Thornton team members are:

Avtar Sohal

Key Audit Partner

T 0121 232 5420

E avtar.s.sohal@uk.gt.com

Jim McLarnon

Senior Manager

T 0121 232 5219

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

Ellena Grant-Pearce

Assistant Manager

T 0121 232 5397

E ellena.grant-pearce@uk.gt.com

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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 Sohal

Name : Avtar Sohal

For Grant Thornton UK LLP

Date : March 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 2022 for 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 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 through a mixture of on site and remote working during July-January. Our findings are summarised on pages 7 to 17. We have identified one adjustment to the financial statements in respect of the Collection Fund that would have resulted in an impact on the Council's Comprehensive Income and Expenditure Statement, however as this is immaterial management have determined that no adjustment has been made and this has been reported as unadjusted accordingly.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is complete and there are no matters to date of which we are aware that would require modification of our audit opinion in Appendix E, subject to the following outstanding matter;

- review of the final set of financial statements; and
- receipt of management representation letter – see appendix F

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 audit report opinion will be unmodified.

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 now 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 19, 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 and we have not reported any significant weaknesses or made key recommendations as a result of our assessment.

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.

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

Subsequent to communication of our audit plan in July 2022, we have established that the value of investment properties reported in the draft accounts for year ended 31 March 2022 is immaterial, and therefore the valuation of these assets which was reported as a significant risk, is no longer in scope.

There were no further changes to our audit approach.

Conclusion

We have completed our audit of your financial statements and will issue an unqualified audit opinion on 31 March 2023.

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 in July 2022.

We detail in the table below our determination of materiality for Warwickshire County Council.



Amount (£) Qualitative factors considered

Materiality for the financial statements	15,200,000	We determined materiality for the audit of the Council's financial statements as a whole to be £15.2m in our audit plan which equated to approximately 1.5% of the Council's 2020-21 gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding. As a Firm we cap materiality at 1.5% to reflect the risk associated with a large and complex authority such as Warwickshire County Council, and regulatory expectation of audit firms.
Performance materiality	11,400,000	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 upon a number of factors: <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; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	760,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.
Materiality for senior officer remuneration	21,145	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. Materiality has been set at 1.5% of the total value of remuneration in the 2021-22 period.

Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in revenue recognition (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, 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, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Warwickshire County Council.</p>	No detailed audit procedures proposed
The expenditure cycle includes fraudulent transactions (rebutted)	<p>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.</p> <p>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.</p> <p>We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests performed in relation to liabilities and our work in relation to the significant risk of management override of control as mentioned above.</p>	No detailed audit procedures proposed

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

Management override of controls

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.

The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.

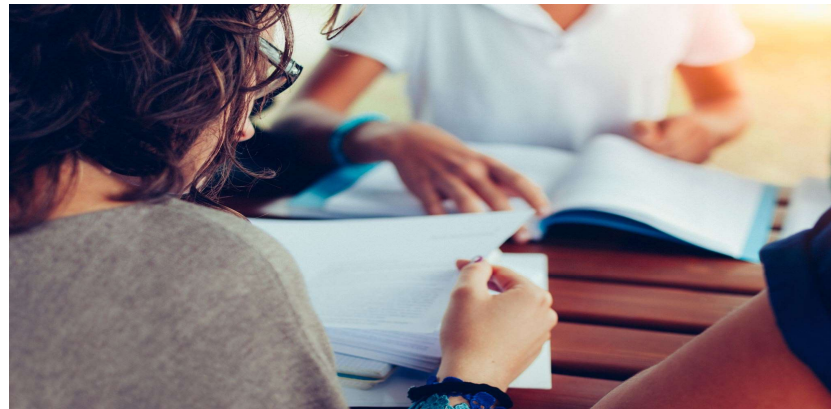
We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Conclusion

No instances of actual or suspected management override of control have been identified as a result of our journals work, however we have reported a control recommendation in relation to the segregation of duties in the journal entry process, see page 24 for further information.

In addition to this, we have concluded that there are no indications of management bias in estimates included in the financial statements.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Authority revalues all of 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 Authority's land and buildings and investment properties as a significant risk.

As noted on page 5, subsequent to communication of our audit plan in July 2022, we have established that the value of investment properties reported in the draft accounts for year ended 31 March 2022 is immaterial, and therefore the valuation of these assets which was reported as a significant risk, is no longer in scope.

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 2022 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.

As part of our review of the estimation in 2021/22, we identified a difference in the approach adopted by the current valuers when compared to the prior period valuers. We have concluded that in the valuation of schools, the former valuer did not apply a base floor area for assets prior to the addition of a m2 per pupil as required by government guidance BB103.

We have obtained management's working paper to support their view that the prior year valuation was not materially understated due to error as the valuer have compensated in their valuation through allowance in other areas. By factoring in the Base Area for each school as required by BB103, this increases the valuation, however, this has been compensated for by applying a higher per pupil m2 (Maximum Gross Area per guidance) and also a higher BCIS index (Upper Quartile rather than Mean). By applying adjustments to bring these back down to the Mean in line with the current approach, this brings the impact on the 2020/21 valuation to £4.3 million as outlined in the table below.

We have discussed this approach with our internal auditor's expert to ascertain whether this is reasonable and they have confirmed that they are comfortable that reducing the build cost rate and the floor area per pupil compensates for lack of a base area.

The residual under-estimation based on the omission of general floor area is immaterial at £4.3m and therefore no prior period adjustment is required. It should be noted that this is not a misstatement, but rather a difference in estimation and therefore is not reported within Appendix C 'Audit adjustments'.

Also refer to the detailed assessment of the estimation process as described on page 13 of the report

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the net defined benefit pension fund liability

The Authority'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 Authority'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

Our work on the valuation of the pension fund net liability is complete and we have identified an adjustment to the financial statements of £6.798m as a result of an underlying change in asset values at the Warwickshire Pension Fund.

As the amount is immaterial to the financial performance and position of the authority, and is as a result of timing differences in the receipt of fund manager confirmations of investment values, no adjustment has been made by management.

As the difference is above our trivial threshold, we are obliged to report this as an unadjusted misstatement (see Appendix C) and we have also included this in our schedule of unadjusted misstatements as an appendix to the letter of representation to be signed by management and those charged with governance.

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>Valuation of Infrastructure Assets</p> <p>The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Warwickshire County Council has material infrastructure assets, at a gross /net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.</p>	<p>Audit suppliers have been actively liaising with relevant stakeholders from Government and CIPFA to agree a solution to the risks presented by the material risk infrastructure assets pose.</p> <p>The English Statutory Instrument was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. The English SI includes two key elements:</p> <ul style="list-style-type: none"> • The local authority is not required to make any prior period adjustments in respect of infrastructure assets; and • Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code. <p>The two inherent risks which audits teams will still need to consider are:</p> <ul style="list-style-type: none"> • Overstatement of net book value as a result of failure to identify and account for impairment of infrastructure assets; and • Over or understatement of net book value as a result of the use of inappropriate useful lives in calculating depreciation charges 	<p>Management have made the necessary changes to the financial statements as suggested by the Code and Statutory Instrument. The authority has adopted the option under section 2(3)(a) of the SI to account for replaced components at nil value and has applied the Code update to remove the gross figures from its financial statements for the year ended 31 March 2022 and comparators for year ended 31 March 2021.</p> <p>Considering the type of assets the authority holds, we recognise that they are all long term i.e. they are fixed in nature and consumption is not expected to be short term for example 2-5 years. The authority has adopted an accounting policy whereby all infrastructure assets are depreciated on straight line basis using an useful economic life (UEL) of 30 years, which we believe is high level and should be more specific to the individual assets that make up the network. This is justifiable as not all assets will follow the same pattern of consumption and it is inevitable that certain assets will require replacement sooner, or later in some cases. We have therefore considered the sensitivity of the depreciation charge to different UEL and report a control observation that the current UEL applied is too broad.</p> <p>The annual depreciation charge is £24.1m for infrastructure assets. We have referred to CIPFA bulletin 12 which includes example UELs for different types of infrastructure assets in performing sensitivity analysis. As there is not a detailed breakdown of infrastructure assets, we have not been apply any weighting to this but rather have taken the bottom, middle and top of the expected UEL range and averaged this to calculate a proposed UEL for the entire class.</p> <p>The results show that the difference in applying these is not material (£690k to £9.9m) and therefore supports management's assessment that the depreciation charge is not materially misstated in the accounts. It should be noted that this is not a misstatement, but rather a difference in estimation and therefore is not reported within Appendix C 'Audit adjustments'.</p> <p>We have reported a control recommendation that management review the accounting estimate of depreciation of infrastructure assets to ensure this aligns with the requirements of the accounting framework.</p>

2. Financial Statements – new issues and risks

Issue	Commentary	Auditor view
<p>Academy Schools disposals</p> <p>On conversion to academy status, the assets associated with a school are de-recognised immediately as a disposal at nil consideration.</p>	<p>Our review of disposals in the period identified £2.6m of disposals linked to schools which had converted to academy trust status in the prior year ended 31 March 2021.</p> <p>Additional specific checks of academy schools performed by the engagement team did not identify any further issues.</p>	<p>We are satisfied that the financial statements for the year ended 31 March 2022 are correctly stated, however for the prior period the balance sheet would have been overstated by £2.6m.</p> <p>As this amount is not material, no prior period adjustment is required however we would recommend that management continue to review disposals schedules to ensure these are complete.</p>
<p>Collection fund accounting</p> <p>The Council are not a billing authority and therefore do not maintain a separate collection fund however entries are made annually to recognise council tax and business rates transactions and balances accordingly.</p>	<p>A number of balances in the financial statements in relation to debtors, creditors and provisions pertaining to the collection fund were based on estimates (prior period information) as at the time of accounts preparation, no up to date information had been received from billing authorities in the County.</p>	<p>The net differences between the amounts recognised in the financial statements and the actuals, which were received in the Autumn, is £2.2m and is therefore immaterial. As this amount is above triviality, we are obliged to report this as an unadjusted misstatement at Appendix C and we have also included this in our schedule of unadjusted misstatements as an appendix to the letter of representation to be signed by management and those charged with governance..</p> <p>We recognise that the County Council is only able to work with the best information available at the time of the accounts preparation. We recommend that management work with representatives of District and Borough Councils to ensure timely closedown of the collection fund.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £678.4m	<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 2022 which represents a change in expert from 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 £103.5m. 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 2022.</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 style="text-align: center;"></p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- [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 – £901.1m

The Council's total net pension liability at 31 March 2022 is £901.1m (PY £1,062.8m), 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.

The latest full actuarial valuation was completed in 2019 and the results of the 2022 valuation are currently awaited. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £161.7m net actuarial loss during 2021/212

- 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

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.70%	2.70% to 2.75%	●
Pension increase rate	3.20%	3.15% to 3.30%	●
Salary growth	4.00%	3.15% to 4.30%	●
Life expectancy – Males currently aged 45 / 65	21.6/ 22.7	20.1 to 22.7 and 21.4 to 24.3	●
Life expectancy – Females currently aged 45 / 65	24.1/ 25.9	22.9 to 24.9 and 24.8 to 26.7	●



- 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

● We consider management's process is appropriate and key assumptions are neither optimistic or cautious





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
Grants Income Recognition and Presentation- £518.9m	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 sample 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 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 - £10.9m	<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 £10.9m, which was broadly consistent with 2020/21.</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>

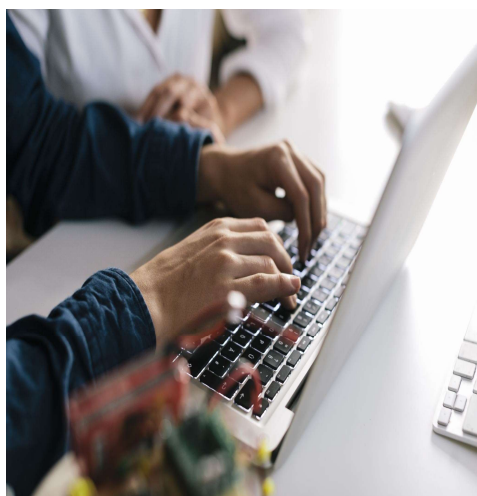
Assessment

-  **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 - 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 material incidents in the period. In addition to this, no 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
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 bodies with which the Council hold cash and cash equivalent balances, investments and borrowings. This permission was granted and the requests were sent, of these requests all 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, see Appendix B for disclosure changes proposed as a result of audit procedures performed
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.



2. Financial Statements - other communication requirements



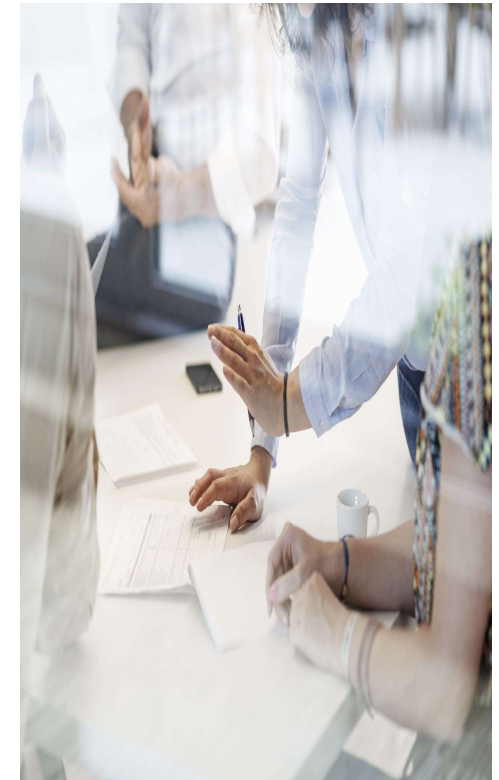
Our responsibility

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 inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D</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 2021/22 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 2021/22 audit of Warwickshire County Council in the audit report, as detailed in Appendix D, due to incomplete WGA procedures as noted above and an outstanding accounts objection to the 2017/18 accounts. We have considered the nature of this objection, and are satisfied that amounts concerned are clearly trivial, and therefore it has no impact on our audit report.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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.

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. 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 D.

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 [Transparency report \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

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 which were charged from the beginning of the financial year to the current date, 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	7,500	Self-Interest	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 £7,500 in comparison to the total fee for the audit of £116,295 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.
		Self review	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management	Changes to the return and the factual accuracy of our report will be agreed with informed management.
Non-audit related			
CFO Insights Subscription	12,500	Self-Interest	A £37,500 for a three year subscription to CFO insights (£12,500 per year) was paid by the Council in 2022/23. 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 £116,295 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 your auditors. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified two 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 2021/22 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
●	<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.</p> <p>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>	<p>We recommend that the journal entry process is reviewed to determine whether further segregation of duties can be introduced.</p> <p>Management response</p> <p>The arrangements for the entry and sign off of journals will be reviewed internally and additional recommendations regarding controls will be considered.</p>
●	<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>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>This will be investigated and any recommendations as to alternative options that mitigate risk and have regard to the size and make up of teams will be considered</p>

Controls

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

A. Action plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
●	<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.</p>	<p>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 e.g. introducing procedures for more detailed and individual recording of assets, and in particular the estimate of useful economic life for reasonableness.</p> <p>Management response</p>
●	<p>Academy school disposals</p> <p>Our review of disposals in the period identified £2.6m of disposals linked to schools which had converted to academy trust status in the prior year ended 31 March 2021. There is a risk therefore that fixed assets may be overstated if disposals are not recorded in the correct period.</p>	<p>We would recommend that management continue to review disposals schedules to ensure these are complete.</p> <p>Management response</p>

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Warwickshire County Council's 2020/21 financial statements, which resulted in the following recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have partially remedied this recommendation

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<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. The review highlighted residual risks that have not been addressed from the prior year:</p> <ul style="list-style-type: none"> Generic shared user accounts within systems that increase the risk of unauthorised or inappropriate changes to the database that may not be traceable to an individual; and Lack of review of information security event/ audit logs 	<p>We noted that administrative access for one account (HLIL) used to post journals in Agresso has now been removed. No further changes have been made to the sharing of accounts and how passwords are secured for other generic accounts used in Agresso, Active Director and the Oracle database.</p> <p>No review of security event/ audit logs for Agresso, Altair, YourHR or Active Directory have been performed.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. 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

As a result of audit procedures performed, no adjusted misstatements have been identified to date.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

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	

Impact of prior year unadjusted misstatements

There are no unadjusted misstatements from the prior period of which have an ongoing impact on the Council.



C. 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 area	Auditor recommendations	Adjusted?
Revaluations table	We identified a discrepancy in the value of land and buildings revalued in the period as disclosed in the financial statements when compared with the valuation report provided by management's expert. We established that the financial statements disclosure included components of assets comprising fixtures and fittings for example that had not been revalued, and assets which had been completed during the year or academised and therefore did not form part of valuations performed. These totalled £62.074m.	✓
Capital Commitments	The capital commitment in relation to highways maintenance is calculated based on annual contract management charged over the remaining term of the contract. Per the supporting price schedule, this was £886,686 higher than the disclosure in the draft financial statements.	✓
Financial Instruments	Our review of the disclosure of the fair value of financial instruments identified three misclassifications in the fair value hierarchy of financial assets between level 1 and 2.	✓
Audit fees	Although paid in advance, the disclosure of non-audit fees payable to Grant Thornton for the subscription to CFO Insights should be reported annually in line with the length of the subscription and requirements of the Code.	✓
Infrastructure Assets	<p>Management have made the necessary changes to the financial statements as suggested by the Code and Statutory Instrument. The authority has adopted the option under section 2(3)(a) of the SI to account for replaced components at nil value and has agreed to apply the Code update and will be removing the gross figures from its financial statements for the year ended 31 March 2022 and comparators for year ended 31 March 2021.</p> <p>The authority has adopted the option under section 2(2) of the SI and is not proposing to reassess its opening balances, or make any PPAs, in relation to UELs historically applied and resultant depreciation charges.</p>	✓

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	122,820	128,820
Total audit fees (excluding VAT)	£122,820	£128,820

Subsequent to communication of the audit plan in July 2022, PSAA published revised scale fees for the year ended 31 March 2022. The scale fee for the Council increased from £72,795 to £78,795.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teachers' Pensions return	7,500	7,500
Non-audit Related Services		
CFO insights subscription	12,000	12,000
Total non-audit fees (excluding VAT)	£19,500	£19,500

The fees reconcile to the financial statements through the following reconciliation:

Fees per note 31 of the financial statements - £139k

- Increase in scale fee - £6k
- CFO Insights subscription - £3.3k*
- Total audit and non-audit fees per audit findings report - £148.3k

* CFO insights subscription was billed upfront at £30k for a three year subscription, this ended in February 2022 and was renewed in May 2022 therefore cost recognised by the County Council in year is 10/12ths.

Fee Analysis

	Final fee
Scale Fee	£78,795
Quality Review – Responding to FRC	4,375
Quality Review – Review Partner Requirement	1,500
ISA 540	5,000
Additional Journals Testing	5,650
Use of Expert - PPE	2,500
Infrastructure Assets	6,000
VFM Commentary	19,000
Total	£122,820

E. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the members of Warwickshire County Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Warwickshire County Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and include the Firefighters' Pension Fund financial statements comprising the Fund Account and Firefighters Pension Fund Net Assets Statement and notes to the Firefighters' Pension Fund Statements 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 Authority in accordance with the ethical requirements that are relevant to our audit of the 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Strategic Director for Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Strategic Director for Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

E. Audit opinion

In auditing the financial statements, we have concluded that the Strategic Director for Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Strategic Director for Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Strategic Director for Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Strategic Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published

by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

E. Audit opinion

Responsibilities of the Authority, the Strategic Director for Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 10, 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 Strategic Director for Resources. The Strategic Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director for Resources is responsible for assessing the Authority'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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Council is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process, being assisted in this regard by the Audit & Standards Committee which is a subgroup of the Council.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, The Accounts and Audit Regulations 2015, The Local Government Act 2003 and The Local Government Act 1972. We also identified the following additional regulatory frameworks in respect of the Firefighters Pension Fund, The Fire and Rescue Services Act 2004, The Public Service Pensions Act 2013, The Firefighters' Pension Scheme (England) Regulations 2014 and The Firefighters' Pension Scheme (England) Order 2006.
- We enquired of senior officers and the Audit & Standards Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

E. Audit opinion

- We enquired of senior officers, internal audit and the Audit & Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - The use of journal entries;
 - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Strategic Director for Resources and Performance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on all manual postings, journal entries that impact on financial performance, journal entries posted in the closing and accounts preparation period, postings made by unexpected users, frequency of postings by users and the use of suspense and net nil balance accounts.
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations.
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

E. Audit opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority’s control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

E. Audit opinion

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Warwickshire County Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.
- our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

We are satisfied that this work does not have a material effect on the financial statements.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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.

Avtar Sohal, Key Audit Partner

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

Birmingham

Date: 7 February 2023

F. Management Letter of Representation

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

7 February 2023

Dear Sirs

Warwickshire County Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Warwickshire County Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, 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 2021/22 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 Council'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 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- i. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- ii. The Council 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.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings, valuation of the pension fund liability, depreciation, provisions and accruals and fair value estimates. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- v. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

F. Management Letter of Representation

- i. 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.
- ii. 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.
- iii. 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.
- iv. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- v. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- vi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- vii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- i. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

- i. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- i. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's 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. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

F. Management Letter of Representation

- i. We have communicated to you all deficiencies in internal control of which management is aware.
 - ii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 - iii. 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.
- i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council 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.
 - ii. 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.
 - iii. 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.
 - iv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
 - v. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- i. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- i. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 26 January 2023

Yours faithfully,

Name: Dave Humphreys

Position: Chair of the Council

Date: 7 February 2023

Name: Rob Powell

Position: Strategic Director for Resources and Section 151 Officer

Date: 7 February 2023

Signed on behalf of the Council



2021/22 Annual Audit Report Recommendations - Management Response and Action Plan

Improvement Recommendation	Management Response	Action Plan
Review and renew the gifts and hospitality policy for staff, as this was due for review in February 2021.	<p>The current gifts and hospitality policy for staff restricts gifts/hospitality to very low levels and there is no desire to increase them. From a financial perspective the limit is described as "nominal", which has tended to be £5 or so and explicitly no alcohol.</p> <p>The gifts and hospitality policy has been reviewed and updated. The priority is now to ensure staff are aware that the policy has been refreshed and is available on the intranet.</p>	<p><u>Completed action:</u> Gifts and Hospitality policy reviewed and updated</p> <p><u>Future action:</u> Further reviews of the gifts and hospitality policy will be undertaken as part of the governance cycle for policy reviews which are led by HROD</p>
Continue to implement the special educational needs and/or disabilities (SEND) in the local area improvement plan set out in the written statement of action following the CQC and Ofsted report from their joint review.	<p>The local area covered by the inspection included the County Council as the local authority, the Integrated Care Board (ICB), public health, NHS providers, early years' settings, schools and further education providers.</p> <p>Five areas of weakness were identified. A written statement of action (WSOA) was co-produced with partners, parent and carers, and submitted to CQC/Ofsted by the deadline of 24 December 2021.</p> <p>Progress on delivery of the WSoA is overseen by the SEND and Inclusion Change Programme Board which has been strengthened with ICB and Warwickshire Parent Carer Voice (WPCV) representation. The detailed governance and engagement arrangements are set out in the WSoA and include Cabinet, the ICB Governing Body and Clinical Quality and Governance Committee.</p> <p>The local area monitoring arrangements, set out in the WSoA include:</p>	<p><u>Completed Actions:</u></p> <ul style="list-style-type: none"> • Written statement of action in response to the review findings agreed by Cabinet on 7 December 2021 and submitted to the CQC and Ofsted • In addition to the planned £4.844m investment in the SEND transformation programme, an additional £99k resources to support the delivery of the WSoA was approved by Cabinet on 7 December 2021

	<ul style="list-style-type: none"> • KPIs reviewed monthly by WCC/ICB management teams; • 6-weekly WSoA interim reports on progress to the SEND and Inclusion Steering Group; • Quarterly formal WSoA reports on progress to SEND and Inclusion Change Board, SEND Member Panel, NHS England and the DfE; and • 6-monthly updates to Children and Young People’s Overview and Scrutiny Committee. The latest update was considered by the Committee on 14 February 2023. <p>The Annual Audit Letter acknowledges good progress has been made but as an on-going change programme of change the improvement recommendation will remain in place until fully reassessed by CQC and Ofsted (expected June 2023).</p>	<ul style="list-style-type: none"> • Steering Group established to oversee development and delivery of the WSoA • Monitoring arrangements agreed as part of the WSoA continue to be complied with.
<p>Continue to implement the Warwickshire Fire and Rescue Service improvement plan set out in the written statement of action following the HMICFRS inspection in January 2022</p>	<p>In March 2021, His Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) completed an inspection of Warwickshire Fire and Rescue Service (WFRS). The inspection report was publicly released in January 2022 and graded WFRS as ‘requires improvement’ against the three pillars of Efficiency, Effectiveness and People.</p> <p>The three causes of concern identified were:</p> <ul style="list-style-type: none"> • the service hasn’t done enough since the last inspection to develop a prevention activity that prioritises those most at risk from fire; • the service hasn’t done enough since the last inspection to identify its highest risk premises to inform its risk-based inspection programme; and • the service isn’t taking a proportion approach to promoting equality, diversity and inclusion in the workplace. <p>An improvement plan was agreed in August 2021 and funding put in place, through the annual budget process to support its delivery.</p>	<p><u>Completed Actions:</u></p> <ul style="list-style-type: none"> • Written statement of action in response to the inspection findings agreed by the Leader in August 2021 and submitted to the HMICFRS • £1.550m included in the budget approved in February 2022 as the additional resources required to fund the action plan • Prevention Cause of Concern discharged by HMICFRS <p><u>Future actions:</u></p> <ul style="list-style-type: none"> • Continue delivery of the written statement of action until all

	<p>Improvement work is delivered through a set of workstreams and monitored by the Continuous Improvement and Change Board and reported to the Integrated Risk Management Board and overseen by the Integrated Risk Management Plan Assurance Panel, Cabinet (as the Fire Authority), Corporate Board and HMICFRS.</p> <p>HMICFRS made their first revisit in February 2022 to review progress on the action plan. Their conclusion was that significant steps had been taken and that increased levels of oversight and monitoring reflect the determination and commitment to make the required improvements.</p> <p>A further HMICFRS visit was conducted in November 2022. During this visit HMICFRS looked at progress against Protection and EDI. They concluded that progress was being made. They also discharged the Prevention Cause of Concern, assessing this as being completed.</p> <p>A full inspection by HMICFRS of WFRS is taking place in March and April 2023 with the inspection findings likely to be available later in the year.</p> <p>The Annual Audit Letter acknowledges good progress has been made but as an on-going change programme of change monitored by HMICFRS the improvement recommendation will remain in place until fully reassessed.</p>	<p>causes of concern discharged by HMICFRS</p>
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2021/22 Audit Findings Report Recommendations - Management Response and Action Plan

Recommendation	Management Response	Action Plan
<p>Review the journal entry process to determine whether further segregation of duties can be introduced.</p>	<p>Journal postings to the WCC ledger do not require second user approval or authorisation. This has been the case for a number of years since before the implementation our current financial system. The recommendation does not highlight a change to the WCC approach and 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>However, in response to this recommendation, we have undertaken a review of the journal types used by WCC in the financial system (74) of which 28 have material transactions in 2022/23. The majority of journal types have obvious mitigating controls in place. For the remainder we are going through a process of documenting the controls and whether there are areas that could be further strengthened.</p> <p>In Autumn 2023, the financial system is being transferred from its current on-premises setup to a cloud-based solution. This may require amendments to the methods through which journals are posted to the ledger. 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, controls and specifics.</p>	<p><u>Completed action:</u></p> <ul style="list-style-type: none"> • A review of the journal types used by WCC in the financial system identifying the risk and mitigation in place <p><u>Future action:</u></p> <ul style="list-style-type: none"> • Complete documentation of all controls • Actively engage with the move to a cloud-based financial system to ensure no weakening of the management of risk around the positing of journals.
<p>The Council should define segregation of duty policies and processes around general IT controls and ensure there is</p>	<p>Grant Thornton undertake a separate systems control audit/refresh each year to inform their assurance around the integrity of the data in the Council's core systems.</p>	<p><u>Completed action:</u></p> <p>The full 'update' HR/Payroll system admin role was:</p>

<p>an understanding of roles, privileges assigned to these roles and where incompatible duties exist, including implementing alternative mitigating control where fully segregated access rights is not possible.</p>	<p>ICT have been actively liaising with Grant Thornton over the last year, including as part of during this year's (2023) audit. As part of this work a detailed review of system admin access has been undertaken and fed back to Grant Thornton as part of the management response with actions noted in the completed action statement.</p> <p>The area of outstanding concern following the 2022 refresh was in relation to the HR/Payroll system. Specific action has been undertaken in this area. The roles with administrative access have been reviewed and access either revoked or alternative arrangements with more limited access put in place.</p> <p>Across all core IT systems regular reviews of access and associated privileges are carried out.</p>	<ul style="list-style-type: none"> • revoked from users who no longer required it to undertake their job roles; or • access was switched to a lower 'System admin lite' role; or • a new 'Recruitment system admin' role was created and assigned to users <p><u>Future action:</u></p> <ul style="list-style-type: none"> • Regular reviews of access and associated privileges carried out, including for all major systems changes
<p>Undertake a review of its accounting arrangements for infrastructure assets e.g. introducing procedures for more detailed and individual recording of asset and in particular the estimate of useful economic life for reasonableness.</p>	<p>Accounting arrangements for infrastructure assets have been reviewed as part of the 2022/23 closedown.</p> <ul style="list-style-type: none"> • Useful life estimates provided by the Services were applied to all 2021/22 capital transaction data. From this analysis the weighted average useful life for infrastructure assets, as a class, was calculated at 26 years. The analysis provides assurance over the 30-year average useful life that is the Council's depreciation policy. Had the 26-year average been applied for 2022/23, the annual depreciation charge would have been £3.1m higher than the £25.4m shown in the accounts, a figure that is below materiality. • The 2022/23 Infrastructure additions have been separately recorded on the Asset Register. <p>Going forward we will continue to separately record additions to the infrastructure asset register each year and annually review additions to ensure the expenditure mix of 'components' remains consistent with the average useful life of 30 years.</p>	<p><u>Completed actions:</u></p> <ul style="list-style-type: none"> • Accounting arrangements for infrastructure assets have been reviewed for reasonableness as part of the preparation for the 2022/23 accounts • New infrastructure spend is now separately recorded on the Asset Register <p><u>Future actions:</u></p> <ul style="list-style-type: none"> • Annually review additions to ensure the expenditure mix of 'components' remains consistent with the average useful life of 30 years

<p>Continue to review disposals schedules for academy schools to ensure these are complete</p>	<p>A shared Academy Tracker file maintained by Education Services is used as the primary data source of schools transferring to academy status. A cross-check with Property Shareholder notifications and DfE information held online is undertaken and any differences between the various schedules followed up.</p> <p>Schools’ capital projects are reviewed quarterly to ensure spend is correctly attributed to maintained and academy schools.</p>	<p><u>Completed actions:</u></p> <ul style="list-style-type: none"> ● Academy disposals logged and actioned via the Academy Tracker shared file maintained by Education Services ● School capital projects reviewed quarterly to ensure spend is correctly attributed
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Audit and Standards Committee

25 May 2023

External Auditors' Annual Audit Report 2021/22 - Warwickshire Pension Fund Management Response and Action Plan

Recommendations

That the Audit and Standards Committee:

- 1) Notes the final 2021/22 Audit Findings report attached at Appendix A;
- 2) Considers the management response to the recommendations in the external auditors reports as set out in Appendix B.

1. Executive Summary

- 1.1 Our external auditors, Grant Thornton, prepare two annual reports to those charged with governance each year. The first is the Annual Audit Letter which was considered by this Committee on 26 January 2023. The second is the report on issues arising from the audit of the Warwickshire Pension Fund's financial statements before issuing their final opinion, known as the Audit Findings report. A draft of this second report was also considered by the Committee at its meeting in January 2023.
- 1.2 Since the January meeting a signed audit opinion for 2021/22 has been received and the financial statements published. Part of the final sign-off process was the issuing, by the external auditors, of an updated Audit Findings report. The updated report was shared with the Chair, in March, prior to the audit opinion being issued. To close the governance loop, this final Audit Findings report is attached for the Committee's information at Appendix A. The updates made are summarised below:
 - Section 1 (Headlines) has been updated to make reference to the review of the Annual Report.
 - Section 2 (Financial Statements) has been updated to confirm the audit is complete and the audit opinion is unqualified.
 - Appendix D (Fees) has been updated with an additional table with more details of the fee breakdown.

- 1.3 The final 2021/22 Audit Findings report included three recommendations, relating to risks assessed as having a limited or low effect on the financial statements. There were no recommendations assessed as 'high', which would mean having a significant effect on the financial statements. The management response and action plan are provided at Appendix B.

2. Financial Implications

- 2.1 None.

3. Environmental Implications

- 3.1 None.

4. Supporting Information

- 4.1 None.

5. Timescales associated with the decision and next steps

- 5.1 None, this completes the governance activity in relation to the 2021/22 accounts.

Appendices

1. Appendix A – Audit Findings for Warwickshire Pension Fund
2. Appendix B – Management Response and Action Plan

Background Papers

1. None.

	Name	Contact Information
Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton Assistant Director for Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Cllr Peter Butlin Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:
 Local Member(s): not applicable as Pension Fund report
 Other members: None

The Audit Findings for Warwickshire Pension Fund

Year ended 31 March 2022



Contents



Your key Grant Thornton team members are:

Avtar Sohal

Key Audit Partner

T 0121 232 5420

E avtar.s.sohal@uk.gt.com

Jim McLarnon

Senior Manager

T 0121 232 5219

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

Ellena Grant-Pearce

Assistant Manager

T 0121 232 5397

E ellena.grant-pearce@uk.gt.com

Section

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

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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 Pension Fund 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 Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for 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 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/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed on site/remotely during July - November. Our findings are summarised on pages 6 to 15. We have identified no adjustments to the financial statements that have resulted in an impact to the Pension Fund's reported financial position per the draft accounts. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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

- receipt of management representation letter – see Appendix F; 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 audit report opinion will be unmodified.

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 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

We have not had to alter our audit plan, as communicated to you on 21 July 2022. In the audit findings report, we have included additional information for transparency in regard to our consideration of the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition. Similar to revenue recognition, this risk has been rebutted for the Pension Fund consistent with the prior period.

Conclusion

We have completed our audit of your financial statements and will issue an unqualified audit opinion on 31 March 2023.

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 the disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 21 July 2022.

We detail in the table below our determination of materiality for Warwickshire Pension Fund.



	Amount (£)	Qualitative factors considered
Materiality for the financial statements	25,000,000	Materiality for the Pension Fund was set at 1% of prior year net assets. This benchmark is considered the most appropriate based on the nature of the Pension Fund and is capped to reflect the risk associated with the Pension Fund, and regulatory expectation of audit firms.
Performance materiality	18,750,000	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 upon a number of factors: <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; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	1,250,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.

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 data-bbox="120 576 562 598">Fraud in revenue recognition (rebutted)</p> <p data-bbox="120 619 779 756">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 data-bbox="120 777 779 882">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 data-bbox="120 903 779 1090" style="list-style-type: none"> <li data-bbox="120 903 779 925">• there is little incentive to manipulate revenue recognition <li data-bbox="120 946 779 994">• opportunities to manipulate revenue recognition are very limited <li data-bbox="120 1015 779 1090">• the culture and ethical frameworks of local authorities, including Warwickshire Pension Fund, mean that all forms of fraud are seen as unacceptable <p data-bbox="120 1110 779 1158">Therefore we do not consider this to be a significant risk for Warwickshire Pension Fund.</p>	<p data-bbox="804 576 927 598">Conclusion</p> <p data-bbox="804 619 2033 667">No changes noted from risk assessment performed at the audit planning stage and therefore no detailed procedures undertaken.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

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 Pension Fund, 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. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests mentioned and our testing in relation to the significant risk of management override of control as mentioned below.

Management override of controls

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.

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.

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.

Conclusion

No changes noted from risk assessment performed at the audit planning stage and therefore no detailed procedures undertaken.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Conclusion

As a result of our journals work to address the significant risk of management override of control, we have not identified any significant issues. As noted in further detail on page 19, we have highlighted a control observation and recommendation in regard to journals for the attention of management and those charged with governance.

In addition to this, we have concluded that there are no indications of management bias in estimates included in the financial statements.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 Investments

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent 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

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.

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.

We therefore identified valuation of Level 3 investments as a significant risk.

Commentary

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met
- independently requested year-end confirmations from investment managers and agreed amounts to the schedule of investments at 31 March 2022 per the financial statements
- 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. Reconciling those values to the values at 31 March 2022 with reference to known movements in the intervening period
- we have evaluated the competence, capabilities and objectivity of the valuation expert
- where available, reviewed investment manager service auditor report on design effectiveness of internal controls.

Conclusion

As a result of testing performed, we have identified no material differences in respect of the value of Level 3 investments.

However, the total net difference between independent third-party confirmations received as at 31/03/2022 and the financial statements for Level 3 investments is £11.6m with two variances individually above triviality (HarbourVest and Partners Group). This is due to the timing of valuation information which is received in arrears and therefore the Fund were unable to capture the movement in the value of the investment in the final quarter of 2021/22. As the amounts concerned are not material, no amendment to the financial statements is necessary and this will not have an impact on our opinion. As amounts are above triviality however, we have reported as an unadjusted misstatement within Appendix C for the attention of those charged with governance and seek specific representation for management's decision to not amend the accounts.

Other differences noted between fund manager confirmations and amounts per the accounts for Level 1 and Level 2 investments are £1.9m net with two fund managers reported differences above triviality, and therefore mean the total variance in the net asset statement is an understatement of £13.6m.


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 data-bbox="114 564 203 587">IT Audit</p> <p data-bbox="114 608 772 746">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 included the following systems:</p> <ul data-bbox="114 762 324 906" style="list-style-type: none"> <li data-bbox="114 762 241 785">• Agresso <li data-bbox="114 801 212 823">• Altair <li data-bbox="114 839 318 861">• YourHR (iTrent) <li data-bbox="114 877 324 900">• Active Directory 	<p data-bbox="801 564 1339 587">This has identified the following new issue and risk:</p> <ul data-bbox="801 624 1438 735" style="list-style-type: none"> <li data-bbox="801 624 1438 735">• 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 data-bbox="801 756 1438 810">The review also highlighted residual risks that have not been addressed from the prior year:</p> <ul data-bbox="801 831 1438 986" style="list-style-type: none"> <li data-bbox="801 831 1438 943">• Generic shared user accounts within systems that increase the risk of unauthorised or inappropriate changes to the database that may not be traceable to an individual; and <li data-bbox="801 963 1438 986">• Lack of review of information security event/ audit logs <p data-bbox="801 1007 1438 1086">Two further residual risks highlighted in the prior period were also unresolved however these are green RAG rated and therefore only deemed to be control improvements.</p>	<p data-bbox="1467 564 2123 619">See appendix A for control deficiencies reported and recommendations.</p> <p data-bbox="1467 639 2123 778">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 individuals with ‘super user’ access levels have posted journal entries to the ledger.</p> <p data-bbox="1467 799 2123 1070">In addition to this, as part of our work on journals we noted that entries were posted in year by generic accounts ‘SYSTEM’ and ‘HLIL’. This is consistent with the prior period and our understanding is that these accounts are regularly used for operational purposes. We have gained an understanding of the nature of these accounts and extracted all journals posted by them in the period. A high level review of activity confirmed that postings made were in line with our expectation and no anomalies were identified for further detailed testing.</p> <p data-bbox="1467 1091 2123 1171">As a result of audit procedures performed, we have not identified any actual or suspected instances of management override of control.</p>

2. Financial Statements – key judgements and estimates


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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £421.9m	<p>The Pension Fund have investments in infrastructure (£140.4m), private debt (£83m) and private equity (£198.5m) that in total are valued on the balance sheet as at 31 March 2022 at £421.9m.</p> <p>Management receive quarterly performance reports which are reviewed and subsequently summarised and presented to the Investments Sub-Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund manager's will periodically attend committee which provides opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>No alternative assumptions are considered by management, who place reliance on the fund manager's as experts.</p> <p>The investments are not traded on an open market and the valuation of the investments are highly subjective. In order to determine the value, management's experts rely on models which apply multiples of revenue and earnings, net asset values or comparable valuations in a traded investment.</p> <p>The value of the investments has increased by £88.9m in 2021/22 primarily driven by increases in infrastructure assets.</p>	<ul style="list-style-type: none"> We are satisfied that management's experts, the various fund manager's, are competent, capable and objective We obtained direct confirmation from fund manager's of the investment value at the year-end, as noted on page 8 this has identified variances between fund manager confirmation and reported asset values. Management have not adjusted the financial statements for variances noted as these are immaterial. We have obtained internal controls reports and audited financial statements where available to give us assurance over the valuation methodology and fair value of assets. This identified no significant issues with the controls and processes in place at fund manager level. We performed reconciliations from the audited financial statements to the year end position through known movements in cash flow to sense check the valuation at 31 March 2022. This identified no significant exceptions Sensitivities disclosed in the note to the financial statements are reasonable in line with the Code The estimate has been appropriately included in the key areas of estimation uncertainty disclosure 	<p> We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>





Assessment

-  [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
Level 2 Investments – £2,296m	<p>The Pension Fund have investments in pooled investments and pooled property funds that in total are valued on the balance sheet as at 31 March 2022 at £2,296m.</p> <p>Management receive quarterly performance reports which are reviewed and subsequently presented to the Investments Sub-Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund manager's will periodically attend committee which provides opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>No alternative assumptions are considered by management, who place reliance on the fund manager's as experts.</p> <p>In order to determine the value, management's experts utilise prices where published and net asset value (NAV).</p> <p>The value of the investment has increased by £246m in 2021/22. In the current year, the fund divested a significant amount of Level 1 assets Held and reinvested this amount into the Border to Cost pooled investment vehicle.</p>	<ul style="list-style-type: none"> We are satisfied that management's experts, the various fund manager's, are competent, capable and objective We obtained direct confirmation from fund manager's of the investment value at the year-end, as well as internal controls reports and audited financial statements where available to give us assurance over the valuation methodology and fair value of assets. This identified no significant issues with the controls and processes in place at fund manager level We challenged management to provide evidence of the observable inputs used in the valuation of level 2 investments, as these are based on some observable inputs and gained comfort that investment classification was appropriate Our detailed substantive testing identified two differences above triviality between fund manager confirmation and reported asset values. Management have not adjusted the financial statements for variances noted as these are immaterial. The estimate is adequately disclosed in the financial statements 	<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

Actuarial present value of promised retirement benefits - £949m

The Pension Fund's net pension liability at 31 March 2022 is £949m (PY £1,307m). The Pension Fund uses Hymans Robertson to provide actuarial valuations of the Fund's assets and liabilities. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019 with the 2022 valuation underway. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. However, it gives three options for disclosure:

Option A – in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit

Option B – in the notes to the accounts

Option C – by reference to this information in an accompanying actuarial report.

In the case of Warwickshire, option B has been adopted and disclosed accordingly.

- 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

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.70%	2.70% to 2.75%	●
Pension increase rate	3.20%	3.15% to 3.30%	●
Salary growth	4.00%	3.70% to 5.70%	●
Life expectancy – Males currently aged 45 / 65	22.7/ 21.6	21.4 to 24.3 and 20.1 to 22.7.3	●
Life expectancy – Females currently aged 45 / 65	25.9/ 24.1	24.8 to 26.7 and 22.9 to 24.9	●

- The estimate of the net defined liability is higher 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

●
We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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 - 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 material incidents in the period. In addition to this, no 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
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. We have reviewed breaches in the period reported to the Pensions Regulator and are satisfied that these have been adequately addressed.
Written representations	A letter of representation has been requested from the Pension Fund, 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 bodies with which the Pension Fund hold cash and cash equivalent balances and investments. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions, see Appendix C for disclosure changes proposed as a result of audit procedures performed
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



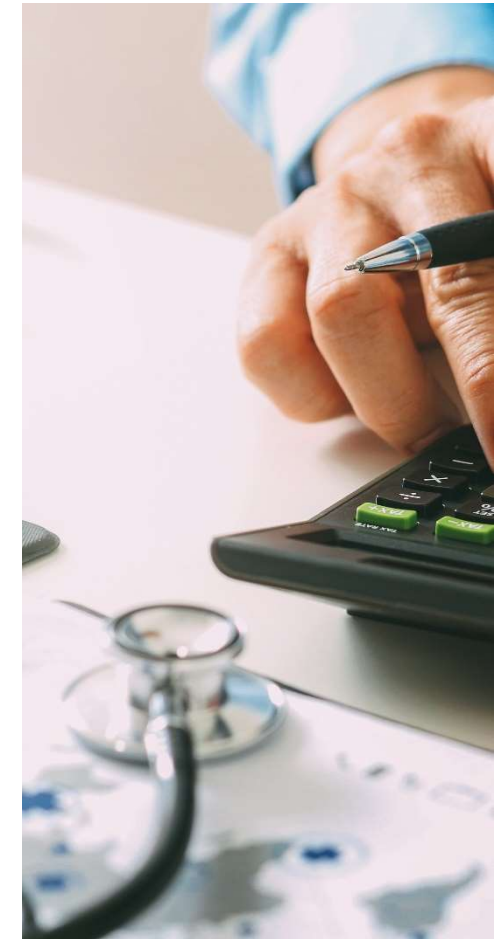
Our responsibility

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. 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. <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 Pension Fund 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 Pension Fund and the environment in which it operates the Pension Fund’s financial reporting framework the Pension Fund’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
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E
Matters on which we report by exception	<p>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.</p> <p>The draft Pension Fund Annual Report has been produced and we will review this in January 2023. We anticipate issuing our separate consistency opinion at the same time as the financial statements opinion following the meeting of the full Council on 7 February 2023.</p>



3. 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

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 D

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 [Transparency report \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report)

3. 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 Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to current date, 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			
IAS19 Assurance letters for Admitted Bodies	8,000	Self-Interest	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 £8,000 in comparison to the total fee for the audit of £31,060 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. The Pension Fund can recover the costs of this work from the admitted bodies should it wish to do so.


These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Appendices




A. Action plan – Audit of Financial Statements

We have identified one recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2022/23 audit. The matter reported here is 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.

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Assessment	Issue and risk	Recommendations
	<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.</p> <p>It should be noted that this does not reflect a change in the business processes of the Pension Fund 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>	<p>We recommend that the journal entry process is reviewed to determine whether further segregation of duties can be introduced.</p> <p>Management response</p> <p>The arrangements for the entry and sign off of journals will be reviewed internally and additional recommendations regarding controls will be considered.</p>

Controls

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

A. Action plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
●	<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>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>This will be investigated and any recommendations as to alternative options that mitigate risk and have regard to the size and make up of the teams will be considered.</p>
●	<p>Contributions</p> <p>A number of contributions samples reflected trivial differences between contribution amounts as per employer monthly returns through the i-connect system, and actual payments received by the fund.</p> <p>Where this was the case, we requested evidence of the Fund communicating with employers to reconcile the differences. The Fund have been able to provide evidence of communication for only one of the discrepancies.</p>	<p>While amounts are insignificant, as a good practice control point we would recommend that the Fund investigate discrepancies in payments with employers where these arise.</p> <p>Management response</p> <p>Processes will be reviewed to ensure communication of discrepancies with employers, and the Fund will look into and consider processes to require employers to highlight any known discrepancies at the point of submission of data.</p>

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Warwickshire Pension Fund's 2020/21 financial statements, which resulted in two recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented one of our recommendations and partially remedied the other.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Level 2 and 3 investment valuations</p> <p>We would recommend that management introduce more robust controls and procedures to address the risk of estimation uncertainty. We acknowledge that valuation data is provided in arrears and therefore is not always available at the time of accounts production, however for hard to value estimates which are subject to greater level of volatility, management should work with fund managers in order to establish any likely significant changes in value in the final quarter. Management could also perform high level reconciliations from the Q3 to Q4 position through known cash flows in order to identify investment values which may be materially different at year end.</p>	<p>No material differences were identified through audit procedures performed to reconcile investment valuations to independent confirmation for year ended 31 March 2022.</p>
X	<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. The review highlighted residual risks that have not been addressed from the prior year:</p> <ul style="list-style-type: none"> Generic shared user accounts within systems that increase the risk of unauthorised or inappropriate changes to the database that may not be traceable to an individual; and Lack of review of information security event/ audit logs 	<p>We noted that administrative access for one account (HLIL) used to post journals in Agresso has now been removed. No further changes have been made to the sharing of accounts and how passwords are secured for other generic accounts used in Agresso, Active Director and the Oracle database.</p> <p>No review of security event/ audit logs for Agresso, Altair, YourHR or Active Directory have been performed.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. 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

As a result of audit procedures performed, no adjusted misstatements have been identified.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Unrealised gain on investment assets	(13,596)	13,596	13,596	Immaterial to the financial position and performance of the Fund
Adjustment in respect of the movement in market value of Level 1, Level 2 and Level 3 investments in Q4 2021/22				
Overall impact	(£13,596)	£13,596	£13,596	

Impact of prior year unadjusted misstatements

There are no unadjusted misstatements from the prior period of which have an ongoing impact on the Pension Fund.

C. Audit Adjustments (continued)

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 area	Auditor recommendations	Adjusted?
Accounting policies – Contractual commitments	As contractual commitments are highly material, we propose that a relevant accounting policy is included in the financial statements.	✓
Critical judgements in applying accounting policies	In the draft financial statements, the pension fund liability judgement in relation to McCloud did not distinguish what the actual judgement is. This should set out what judgement management have made in the application of their accounting policies with this information on the remedy. Likewise, it was not clear what the judgement was in relation to the conflict in Ukraine and therefore this requires further explanation.	✓
Post balance sheet events	Investment value have fallen by £145.5m in the first quarter of 2022/23, compared to a materiality of £25m, we deem this to be of fundamental significance to a users understanding of the financial statements. Therefore, a non-adjusting post balance sheet event should be disclosed.	✓
Investments	On review of the financial statements it was noted that the make up of investment balances had changes significantly year on year. On further investigation it was established that a UK sleeve of a global equity fund had been reclassified in 2021/22 and therefore it has been proposed that this is mirrored in the comparative information.	✓
Financial instruments	Table on basis of valuation stated that shares in Border to Coast Pensions Partnership are valued based on share of assets. This was at odds with other disclosures in the accounts and our understanding which state the investment is valued at cost.	✓

D. Fees

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

Audit fees	Proposed fee	Final fee
Pension Fund Audit	31,060	31,060
Total audit fees (excluding VAT)	£31,060	£31,060

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS19 Assurance letters for Admitted Bodies*	7,000	8,000
Total non-audit fees (excluding VAT)	£7,000	£8,000

*During the year, the firm performed a re-basing exercise on fees charged for IAS 19 assurance provided to auditors of admitted bodies to ensure these accurately reflect the cost of undertaking this work and are consistent across our portfolio of Local Government clients.

The fees reconcile to the financial statements through the following reconciliation:

Fees per note 14 of the financial statements - £38k

- Increase in IAS 19 fee - £1k

Total audit and non-audit fees per audit findings report - £39k

Fee Analysis

	Final fee
Scale Fee	£18,397
Quality Review – Responding to FRC	3,125
Investments Valuation	2,188
ISA 540	3,600
Additional Journals Testing	3,750
Total	£31,060

E. Audit opinion

Our audit opinion is included below.

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 of Warwickshire Pension Fund

Opinion

We have audited the financial statements of Warwickshire Pension Fund (the 'Pension Fund') administered by Warwickshire County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Warwickshire Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Strategic Director for Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Strategic Director for Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom

E. Audit opinion

(Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Strategic Director for Resources use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Strategic Director for Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Strategic Director for Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Strategic Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's 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's 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's financial statements or our knowledge of the Pension Fund obtained in the audit 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 the 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 (2020) 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's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

E. Audit opinion

Responsibilities of the Authority, the Strategic Director for Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, 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 Strategic Director for Resources. The Strategic Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Strategic Director for Resources 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 there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The County Council is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's 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 financial statements.

A further description of our responsibilities for the audit of the 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

E. Audit opinion

- We enquired of senior officers, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - The use of journal entries;
 - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Strategic Director for Resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus all manual postings, journal entries that directly impacted on the net increase in net assets available for benefits, journal entries posted in the closing and accounts preparation period, postings made by unexpected users, frequency of postings by users and the use of suspense and net nil balance accounts;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments and IAS 26 pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.

E. Audit opinion

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

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.

Avtar Sohal, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

7 February 2023

F. Management Letter of Representation

Grant Thornton UK LLP

17th Floor

103 Colmore Row

Birmingham

B3 3AG

7 February 2023

Dear Sirs

Warwickshire Pension Fund
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Warwickshire Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, 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 2021/22 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 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- i. 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.
- ii. 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.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 1, 2 and 3 investments and the net pension fund liability. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- v. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Fund 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.

F. Management Letter of Representation

- i. 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.
- ii. 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.
- iii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- iv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- v. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- vi. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

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

- i. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- iv. 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.
 - i. 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.
 - ii. 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.

F. Management Letter of Representation

- i. 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.
- ii. We have drawn to your attention all correspondence and notes of meetings with regulators.

- i. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- ii. 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.
- iii. 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 Fund's Audit and Standards Committee at its meeting in January 2023.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Fund



Warwickshire Pension Fund

2021/22 Audit Findings Report Recommendations - Management Response and Action Plan

Recommendation	Management Response	Action Plan
<p>Journals Review and Approval</p> <p>Review the journal entry process to determine whether further segregation of duties can be introduced.</p>	<p>The arrangements for the entry and sign off of journals will be reviewed internally and additional recommendations regarding controls will be considered.</p> <p>Journal postings to the Warwickshire Pension Fund ledger do not require second user approval or authorisation. The recommendation does not highlight a change to the WCC approach and 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. However, a process of review will be undertaken considering the controls in place and whether there are areas that could be further strengthened. Limited capacity within the team has meant this review has not been formally progressed to date.</p> <p>In Autumn 2023, the financial system is being transferred from its current on-premises setup to a cloud-based solution. This may require amendments to the methods through which journals are posted to the ledger. 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, controls and specifics.</p>	<p><u>Future action:</u></p> <ul style="list-style-type: none"> • Complete a review of journal controls • Actively engage with the move to a cloud-based financial system to ensure no weakening of the management of risk around the positing of journals.
<p>IT General Controls</p> <p>The Council should define segregation of duty policies and processes around general</p>	<p>Grant Thornton undertake a separate systems control audit/refresh each year to inform their assurance around the integrity of the data in the Council's core systems.</p>	<p><u>Completed action:</u></p> <p>The full 'update' HR/Payroll system admin role was:</p>

<p>IT controls and ensure there is an understanding of roles, privileges assigned to these roles and where incompatible duties exist, including implementing alternative mitigating control where fully segregated access rights is not possible.</p>	<p>ICT have been actively liaising with Grant Thornton over the last year, including as part of during this year's (2023) audit. As part of this work a detailed review of system admin access has been undertaken and fed back to Grant Thornton as part of the management response with actions noted in the completed action statement.</p> <p>The area of outstanding concern following the 2022 refresh was in relation to the HR/Payroll system. Specific action has been undertaken in this area. The roles with administrative access have been reviewed and access either revoked or alternative arrangements with more limited access put in place.</p> <p>Across all core IT systems regular reviews of access and associated privileges are carried out.</p>	<ul style="list-style-type: none"> • revoked from users who no longer required it to undertake their job roles; or • access was switched to a lower 'System admin lite' role; or • a new 'Recruitment system admin' role was created and assigned to users <p><u>Future action:</u></p> <ul style="list-style-type: none"> • Regular reviews of access and associated privileges carried out, including for all major systems changes
<p>Contributions</p> <p>Whilst amounts are insignificant, as a good practice control point we would recommend that the Fund investigate discrepancies in payments with employers where these arise</p>	<p>Processes will be reviewed to ensure communication of discrepancies with employers, and the Fund will look into and consider processes to require employers to highlight any known discrepancies at the point of the submission of data.</p>	<p><u>Future Action</u></p> <p>Review the process for communicating discrepancies and for seeking action/clarification from employers.</p>

Audit and Standards Committee

25 May 2023

Warwickshire County Council - External Audit Risk Assessment 2022/23

Recommendations

The Audit and Standards Committee is asked to:

- 1) Consider the Audit Risk Assessment for 2022/23, attached at Appendix A; and
- 2) Note that the Strategic Director for Resources will update this assessment if any further information becomes available between this Committee and the draft 2022/23 Statement of Accounts being issued, with any changes being reported to the next meeting of the Committee.

1. Executive Summary

- 1.1 The purpose of this report is to contribute towards the effective two-way communication between Warwickshire County Council's external auditors and Warwickshire County Council's Audit and Standards Committee, as 'those charged with governance'.
- 1.2 As part of the auditors' risk assessment procedures, they are required to obtain an understanding of management processes and the Council's oversight of the following areas:
 - general enquiries of management;
 - fraud;
 - laws and regulations;
 - related parties;
 - going concern; and
 - accounting estimates.
- 1.3 **Appendix A** covers these areas of the auditor risk assessment and the management response for 2022/23. The Audit and Standards Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make. The report and appendix also provide the opportunity for the Committee to question officers to satisfy themselves that the risk assessment is a fair reflection of our control systems.

- 1.4 The Audit Engagement Lead will attend the meeting to support the presentation of the report attached at Appendix A.

2. Financial Implications

- 2.1 There are no financial implications arising from this report.

3. Environmental Implications

- 3.1 There are no environmental implications arising from this report.

Appendices

- A. Informing the Audit Risk Assessment for Warwickshire County Council 2022/23

Background Papers

None.

	Name	Contact Information
Report Author	Virginia Rennie Strategy and Commissioning Manager – Strategic Finance	vrennie@warwickshire.gov.uk
Assistant Director	Andy Felton Assistant Director - Finance	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was not circulated to members prior to publication.

Informing the audit risk assessment for Warwickshire County Council 2022/23

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Avtar Sohal
Director
T 0121 232 5420
E avtar.s.sohal@uk.gt.com

Harkamal Vaid
Manager
T 0115 697 9365
E harkamal.s.vaid@uk.gt.com



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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Warwickshire County Council's external auditors and Warwickshire County Council's Audit & Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit & Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Standards Committee and supports the Audit & Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the County Council's oversight of the following areas:

- general enquiries of management;
- Fraud;
- laws and regulations;
- related parties;
- going concern; and
- accounting estimates.

This report includes a series of questions on each of these areas and the response we have received from Warwickshire County Council's management. The Audit & Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>The effects of the global economic and security situation and the continued inflationary risk will potentially impact investment fund values, which in turn will potentially impact on asset values and the net pension liability. The inflationary risk has impacted on the cost of capital investment and, more generally, the cost of providing services. This effect will be managed through our risk reserves in 2022/23 and the impact over the medium term formed part of the 2023-28 Medium Term Financial Strategy (MTFS) and will be a consideration in future annual MTFS refreshes.</p> <p>During 2022/23 the authority has continued to support vulnerable people and invest in the recovery of the Warwickshire economy following the Covid pandemic. The 2022/23 in-year financial impact of Covid-19 response and recovery will be met from earmarked covid grant reserves, whilst the creation of the Warwickshire Property and Development Group (WPDG) and the Warwickshire Recovery and Investment Fund (WRIF) will mean a step change in our level of borrowing over the medium term. During 2022/23 we have continued to report separately to management, on a monthly basis, any spend or income impacts which are Covid and non-Covid related so we can understand the impact of Covid on our reserves and the MTFS.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire County Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Our accounting policies are reviewed annually to ensure they are relevant and complete. Audit and Standards Committee, on 20 November 2020, approved a new policy for Group Accounts and amended our leasing policy to be consistent with the new accounting standard for leases.</p> <p>We will not be preparing Group Accounts in 2022/23 as the level of activity of WPDG is currently not sufficiently material to require consolidation. We are in a position to implement the new Leasing Standard IFRS16 from 1 April 2024.</p>

General Enquiries of Management

Question	Management response
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes. The County Council’s financial instruments consist of investments with fund managers, building societies and other local authorities, cash and cash equivalents, short term debtors and creditors and borrowings with the Public Works Loan Board. In 2022/23:</p> <ul style="list-style-type: none"> • Coventry & Warwickshire Reinvestment Trust (CWRT) continued to hold money as loan as part of the Government backed CBILs loan scheme to give access to local businesses to loan facilities during the pandemic. No new funds were loaned as part of this scheme. • We have made non-treasury loans to WPDG to provide cashflow capacity during the set-up phase. • We have transferred funds to CWRT to manage and operate the WRIF LCE Pillar as the Fund Manager. • We have continued the non-treasury loan to Educaterers. <p>We do not make use of derivatives directly, however some funds invested in through fund managers could make use of derivatives to achieve their overall objectives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>We are not aware of any significant transactions outside the normal course of business. The Pandemic led to the introduction of a range of additional services being introduced on a temporary basis. These were wound down during 2022/23 with any commitments funded from additional Government grant received to support Covid-response.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware of any changes in circumstances that would impair our non-current assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	We are not aware of any contracts where WCC guarantees the performance of third parties. As part of the preparation of the statement of accounts we will assess whether there are any guarantees we need to be aware of and, if identified, disclose appropriately.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	We are not aware of any loss contingencies and/or unasserted claims that would be material to the financial statements.
8. Other than in-house solicitors, can you provide details of those solicitors utilised by Warwickshire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>We use:</p> <ul style="list-style-type: none"> • Solicitors for our insurers on pot hole claims etc. • Solicitors for the disposal of land (not a contingency or a claim) • Solicitors for land development disposal and project work (not a contingency or a claim) • Solicitors for highway agreements (where additional capacity is required)
9. Have any of the Warwickshire County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None that we are aware of.

General Enquiries of Management

Question	Management response
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<ul style="list-style-type: none"> • Treasury management advisors on market movements, PWLB and CIPFA consultations, Treasury Management Service Strategy and Investment Strategies and forecasting as part of an ongoing service contract • Various Counsel on various matters where required (i.e. employment advice, legal interpretation of contracts/legislation etc) • Specialist advisors on the development of the Authority’s new risk framework and approach to risk management • Various subject matter experts to support the Authority’s change programme • Property, legal and subject matter experts to support the business cases for the creation and operation of WRIF and WPDG • Specialist advisors to support the valuations in the Statement of Accounts including actuarial support and property valuations.
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>We have identified the following areas where the need for credit loss provisions will be assessed as part of the preparation of the financial statements:</p> <ul style="list-style-type: none"> • Educaterers • CWRT re CBILS • WPDG • WRIF loan book

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Standards Committee and management. Management, with the oversight of the Audit & Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Warwickshire County Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

• assessment that the financial statements could be materially misstated due to fraud,

- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit & Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Warwickshire County Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Warwickshire County Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the County Council's risk management processes link to financial reporting?</p>	<p>We have adopted the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption and this is reflected in our anti-fraud policy.</p> <p>Our process for identifying and responding to the risk of fraud is undertaken via the Preventing Fraud, Bribery and Corruption Framework and the Council's Whistleblowing policy. We have reviewed fraud risk using the results of national studies and local experience. Awareness of the most significant fraud areas has been promoted through the staff magazine Working for Warwickshire, the intranet and Yammer. We have also promoted a specific fraud awareness online training module which is available to all staff. On the basis of these policies and frameworks we have assessed the risk of material misstatement due to fraud as low.</p> <p>All reports to decision-makers and those charged with governance include a financial implications section that is signed-off in advance by the senior managers in the Finance Service.</p> <p>Significant risks are actively managed by Corporate Board through the Strategic Risk register, using a consistent approach to financial risk assessment, and are reported to Members on a quarterly basis alongside the financial monitoring information. Furthermore, Council requires that Corporate Board take the key strategic risks and any mitigating action needed into account as part of preparing the annual MTFS refresh.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Some of the key fraud risk areas were identified and highlighted in the fraud awareness raising articles on the intranet. These were Procurement Fraud and Social Care Fraud. These were covered along with fraud methods which were Cyber Fraud, Social Engineering and Insider Fraud. The need for fraud awareness on these issues has been highlighted on the Intranet and Yammer and in Working for Warwickshire. Our Fraud Awareness Week in November 2022 covered the following themes: cost of living crisis and scam at home, procurement, supply chain and payments fraud, employee expenses fraud, service user fraud and deterring fraud. This was publicised through the intranet and the Working For Warwickshire online magazine:</p> <p>https://w4w.warwickshire.gov.uk/issue-126-18-november-2022/news-round-up-1/focus-on-fraud-awareness</p> <p>https://warwickshiregovuk.sharepoint.com/SitePages/Fraud-awareness--Deterring-fraud.aspx</p> <p>https://web.yammer.com/main/org/warwickshire.gov.uk/search/threads?search=fraud</p> <p>https://w4w.warwickshire.gov.uk/issue-98-18-march-2022/news-round-up-1/anatomy-of-a-real-phishing-call-dont-get-caught-out</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Warwickshire County Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>We are not aware of any instances of actual, suspected or alleged fraud that would have a material impact on the accounts. There is one instance of potential fraud currently being investigated. Risk issues are reported at a strategic level in quarterly monitoring reports. Fraud issues are reported to the relevant senior management and to the Audit & Standards Committee as appropriate. Control issues, fraud, risks and errors captured through the planned internal audit activity and through investigations are reported to management and reported in summary to the Audit & Standards Committee.</p> <p>We have not experienced any significant governance failures during the last year and our arrangements continue to be regarded as fit for purpose in accordance with the governance framework.</p> <p>Any major governance challenges are reflected in the organisation’s strategic and service risk registers, which highlight actions being taken to address these challenges going forward.</p> <p>A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by council plans that the actions identified in those plans will address the issues highlighted in our review of effectiveness.</p> <p>The Code of Conduct and Council policies require matters to be reported to the Monitoring Officer. Monitoring Officer reports to a bi-monthly statutory officers meeting those matters which are required to be disclosed. Monitoring Officer has statutory duties in terms of review and investigation.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>There is always a risk of fraud in such a large and complex organisation. However, the governance and control environment, supported by the preventing fraud, bribery and corruption framework helps to mitigate the risk both in terms of the likelihood and impact.</p> <p>We have no particular concerns of areas or locations at risk of fraud that would not be identified through our frameworks.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Warwickshire County Council where fraud is more likely to occur?</p>	<p>There is always a risk of fraud in such a large and complex organisation. However, the governance and control environment, supported by the preventing fraud, bribery and corruption framework helps to mitigate the risk both in terms of the likelihood and impact.</p> <p>We have no particular concerns of areas or locations at risk of fraud that would not be identified through our frameworks</p>
<p>6. What processes do Warwickshire County Council have in place to identify and respond to risks of fraud?</p>	<p>Preventing Fraud, Bribery and Corruption framework – published on the intranet outlines policies and procedures including the escalation procedure if required.</p> <p>We also participate in the National Fraud Initiative to ensure any risks of fraud are identified through partnership and data sharing arrangements.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Warwickshire County Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Our approach is set out in the Annual Governance Statement – which is reviewed by Audit & Standards Committee and approved by Council following lengthy consultation with senior managers across the organisation.</p> <p>Independent assurance is provided through Internal Audit reviews.</p> <p>External Audit provide an Annual Audit Report to the Committee and to full Council highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We have not identified any areas where there is a potential for misreporting.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Warwickshire County Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<ul style="list-style-type: none"> • Staff Code of Conduct, Member Code of Conduct and Contract Standing Orders – reviewed each year and where major changes to structures and/or legislation etc. • Fraud Awareness Week and Do the Right Thing Week • Staff Register of interests and additional declarations for Members and senior officers • Register of gifts and hospitality • On-line fraud awareness training • Workers who are not employees of the County Council are required to sign a “code of conduct for workers” <p>We have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way we work and through which we account to, engage with and lead our communities.</p> <p>We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). Further information is on our website: http://www.Warwickshire.gov.uk/corporategovernance</p> <p>We have a whistleblowing policy in place with an emphasis on behaviours, governance and the employee code of conduct. We also have a Fraud Hotline.</p> <p>Employees are encouraged to report all concerns and that these will then be dealt with as appropriate. This is covered by council intranet page “What should I do if I suspect fraud”.</p> <p>No significant issues have been reported.</p>

Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are all posts capable of having significant individual influence/control over resources in the absence of adequate controls and division of duties. Risks are managed through general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>We have a Register of Interests and senior officer and Member additional declarations are completed annually.</p> <p>All staff and Members are required to declare any interests with related parties that could impact on their role within WCC and also ongoing in any involvement in the procurement of services or where that relationship may have other affects on their work.</p> <p>As part of the National Fraud Initiative we review where an employee is a company director and payments have been made to that company by the Council as part of reviewing whether all necessary declarations have been made.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit & Standards Committee?</p> <p>How does the Audit & Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Terms of Reference for Audit & Standard Committee – extract from Constitution</p> <p>https://democracy.warwickshire.gov.uk/documents/s21738/Part%2027%20Responsibilities%20of%20the%20Audit%20and%20Standards%20Committee.pdf</p> <p>Reporting on fraud is incorporated into the regular Internal Audit reporting to the Audit & Standards Committee.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Standards Committee, is responsible for ensuring that Warwickshire County Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Standards Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Warwickshire County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the County Council's regulatory environment that may have a significant impact on the County Council's financial statements?</p>	<p>We are not aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements</p> <p>Our Constitution sets out the framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, standing orders, codes of conduct and protocols on member / officer relations are documented. http://www.warwickshire.gov.uk/constitution</p> <p>A formal induction programme for members is undertaken following each quadrennial election which covers the legal principles governing decision-making and the code of conduct. Code of Conduct and other skills training for Members is reviewed each year and a programme compiled that provides appropriate updates, refreshers and new training to ensure good governance.</p> <p>All our reports to member bodies receive financial and legal checks prior to submission to ensure they comply with regulatory requirements.</p> <p>Each year Cabinet receives the Local Government and Social Care Ombudsman (LGSCO) annual review letter which contains a summary of statistics on the complaints made about the Council for the year ended 31 March.</p> <p>We are registered as a data controller under the Data Protection Act as we collect and process personal information and we have a named Data Protection Officer. We have General Data Protection Regulation (GDPR) compliant procedures that explain how we use and share information and processes to deal with reporting any breaches. All staff complete information compliance e-learning as part of our induction processes.</p> <p>We have consistent governance arrangements for our trading companies and wholly owned companies:-</p> <ul style="list-style-type: none"> • We have shareholder agreement with each company which governs our relationship with the company and sets out which decisions require shareholder approval; • Annual General Meetings are held to ensure the Council is fully informed of the company's performance; and • Directors of each company have received "conflict of interest" awareness training and we actively monitor the risk of potential conflicts.

Impact of laws and regulations

Question	Management response
	<p>Assurance is managed by ensuring we have the appropriate people in roles and that the necessary induction has taken place. In addition, we operate general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p> <p>3rd line of defence – internal audit reviews, e.g. pensions administration.</p> <p>We are not aware of any changes. Governance issues and local government challenges from new legislation, funding and other pressures are set out at section 5 of the Annual Governance statement.</p> <p>We await the response to the latest consultation relating to the McCloud pensions case and the regulations to follow. Our final accounts working papers set out our proposed accounting treatment on this issue. For accounting purposes, fund advisers have made assumptions for each employer taking into account the affect of McCloud when calculating new employer contribution rates from 1 April 2023.</p> <p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues. Separately we have bi-monthly statutory officers meetings, that all legal and senior managers input to, where such issues, if they exist, are raised. Our Statutory Officers receive weekly reports to alert them to any regulatory issues.</p> <p>Services that are subject to statutory and regulatory regimes (i.e. health and safety/construction/public health/trading standards) liaise closely with legal and have their own reporting processes.</p> <p>Any Local Government and Social Care Ombudsman determinations that are adverse are reported to members and remedial actions followed. None are significant or likely to effect accounts for this year.</p>

Impact of laws and regulations

Question	Management response
<p>2. How is the Audit & Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> • Regular reporting to committee on all matters covered by forward plan and audit workplan. • Through the Annual Governance Statement and through the planning and reporting of a risk based programme of internal audit work each year. • Attendance by the Monitoring Officer or Deputy Monitoring Officer and S151 or Deputy S151 as well as Tier 3 Managers for Finance and Audit. Other Assistant Directors attend as required. This ensures the Committee can ask the questions they feel important to ensure that they have assurance of compliance. <p>Audit & Standards approve draft Contract Standing Orders and must recommend them for approval to Council – this allows them to be robustly challenge officers regarding the compliance with regulations regarding spend.</p> <p>Separately, any key decision is also required to follow constitutional Key Decision procedure which ensures Member involvement and oversight.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>We are not aware of any instances on non-compliance or suspected non-compliance.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>We are not aware of any actual or potential litigation or claims that would affect the financial statements.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Warwickshire County Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues. Separately we have bi-monthly statutory officers meetings, that all legal and finance senior managers input to, where such issues, if they exist, are raised.</p> <p>Constitutionally, litigation to be commenced requires delegated authority of the Chief Executive or their nominee. Responses to formal claims are routed via Legal and all appropriate senior managers (including the Monitoring Officer and S151 Officer) are alerted.</p> <p>Employment settlements are subject to approval via a vires arrangement by the Monitoring Officer and S151 Officer.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>A Focussed Visit from Ofsted regarding services for Care Experienced Young People 16-25 years old has just completed. The report will be published on 9 May 2023.</p> <p>HMICFS carried out a full inspection of Warwickshire Fire and Rescue Service in February-March 2021. The report detailing the inspection findings was released on 12 January 2022. Since then WFRS has had revisits from the inspection team and the “prevention” Cause of Concern has been redacted due to the work already done that addresses this area. WFRS are currently going through a full inspection which is expected to report in May/June 2023. WFRS continues to deliver the action plan approved to address the improvement activity required by the 2021 inspection.</p> <p>There have been no additional SEND inspections since 2021. WCC are piloting the methodology of the new OFSTED/CQC Local Area Inspection Framework. In terms of the Written Statement of Action relating to the previous inspection the Council is on track to meet the outcomes of the document.</p> <p>We undertook a full review of all consultants and interim staff to ensure compliance with IR35 requirements. This identified no issues of non-compliance and this was reported to HMRC.</p>

Related Parties

Matters in relation to Related Parties

Warwickshire County Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Warwickshire County Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the County Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the County Council, or of any body that is a related party of the County Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the County Council's perspective but material from a related party viewpoint then the County Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Warwickshire County Council's 2021/22 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Warwickshire County Council • whether Warwickshire County Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>Property Joint Venture – In 2022/23, a joint venture was established between WCC, Warwickshire Property Development Group (WPDG) and Countryside Partnerships. No trading activity took place in the joint venture in 2022/23. Activity is expected to commence in 2023/24.</p>
<p>2. What controls does Warwickshire County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>As part of the closedown of accounts a number of processes are in place to determine any related parties and the nature of the relationships that exist for both the authority and staff. As part of these governance arrangements, we request register of interests declarations are made by all Members and senior officers in addition to those that all staff are required to complete to declare any interest or relationships that exist which may affect the authority. We also canvass annually Legal Services and key finance and management staff to identify any partnerships or other related parties and ensure the appropriate disclosures are reported in the financial statements. Key codes of conduct outline responsibilities of those parties in recording and identifying those related parties and interests appropriately.</p>

Related Parties

Question	Management response
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Any significant transactions and arrangements with related parties outside of the budgetary framework would require approval in line with financial regulations and the Constitution.</p> <p>For loans provided to WPDG and the WRIF the governance arrangements for the approval of transactions was set out in the reports to Cabinet that approved the two bodies. This includes recommendations from a Governance Group/Investment Panel of senior officers, supported by independent advisors a required, and approval by Cabinet. The limits of the overall transactions with these bodies are set out in the Treasury Management Strategy, Investment Strategy and the approved capital programme.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any significant transactions and arrangements outside of the normal course of business would be outside of the budgetary framework would require approval in line with financial regulations and the Constitution.</p> <p>For loans provided to WPDG and the WRIF outside of the overall transaction limits set out in the Treasury Management Strategy, Investment Strategy and the approved capital programme would require approval by full Council.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

Page 123 For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Warwickshire County Council will no longer continue?</p>	<p>All savings options brought forward for consideration require a pro forma to be completed that includes:</p> <ul style="list-style-type: none"> • If the delivery of the savings proposal would require a policy change, including whether there will be a need for consultation with service users and a Cabinet/Council decision prior to implementation • How the proposal will be delivered • How the proposal will impact on users of the service • The key risks associated with delivery of the proposal <p>All savings proposals (either collectively or individually) for a service require an Equality Impact Assessment (EqIA) screening form to be completed. Where an equalities issue is identified a full EqIA is required. All EqIAs are reviewed by Legal prior to the final budget proposals being presented to Members for consideration. This process enables the potential impact on statutory services to be assessed prior to any decision being made.</p> <p>Report authors are expected to engage appropriately with legal staff and, like finance, legal have a final sign off of Member reports in case anything slips through at an earlier stage.</p> <p>We are of the opinion that our processes and controls would identify events and/or conditions which may indicate that the statutory services being provided by Warwickshire County Council would no longer continue prior to any decision being made.</p>
<p>2. Are management aware of any factors which may mean for Warwickshire County Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>We are not aware of any factors which may mean either statutory services will no longer be provided or that funding for statutory services will be discontinued.</p>

Going Concern

Question	Management response
<p>3. With regard to the statutory services currently provided by Warwickshire County Council, does Warwickshire County Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Warwickshire County Council to cease to exist?</p>	<p>The statutory basis of local authorities</p> <p>The concept of a going concern assumes that our functions and services will continue in operational existence for the foreseeable future. As local authorities are creatures of statute, any decision to cease operations would require legislation instigated either by the Council or central government. No such process is currently in train. This is consistent with paragraph 3.4.2.23 of the Code of Practice on Local Authority Accounting which confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.</p> <p>The delivery of services to local communities</p> <p>We have a duty to provide, or enable the provision of, a wide range of services essential to the local community including adult social care, children’s social care and safeguarding, the provision and maintenance of a road network and the provision of a fire and rescue service. The demand for these services is either increasing or remaining constant. Therefore, there is a need/demand for the services we provide to continue to be available to the people of Warwickshire and there is no realistic expectation that this will not continue in the foreseeable future.</p> <p>The revenue raising powers of the local authority</p> <p>Our main funding streams, both now and in the future, are property-based taxes (with limits on our revenue-raising powers arising only at the discretion of central government) and government grants (funded from general taxation revenue). Therefore, our income streams are relatively secure and provide ready access to financial resources. If we were in financial difficulty, experience of other authorities has demonstrated that alternative arrangements might be made by central government either for the continuation of the services or for assistance with the recovery of a deficit over more than one financial year (for example through capitalisation directives). As a result, it would not be appropriate for local authority financial statements to be prepared on anything other than a going concern basis.</p>

Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits Warwickshire County Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p><u>Balanced MTFS</u></p> <p>We have agreed a balanced, sustainable 5-year MTFS based on prudent resource assumptions and with known demand pressures and planned budget reductions over the five year period reflected. This does not include any level of unidentified savings but includes an annual provision of £7.0m for future unknown pressures. Inflation provisions are 4% for pay and 2% for prices in 2023/24 and 2024/25 reducing to a 2% annual provision by 2025/26. In addition, for services where we are aware of extraordinary inflationary costs these are also costed as part of the MTFS.</p> <p><u>Adult social care levy</u></p> <p>The approved 2023/24 budget and MTFS is based on taking 1% of the 2% maximum levy allowed in 2023/24 and 2024/25. The upfront commitment to maximising the resource base of the Authority in taking the levy improves our financial sustainability at a time of significant fiscal uncertainty and provides the flexibility needed by the Service to manage its resources in the most effective way.</p> <p><u>Special Educational Needs and Disabilities</u></p> <p>The cost of our SEND service is currently overspending the level of High Needs DSG resources provided by the Government. The level of the overspend is a significant financial risk to the sustainability of the Authority. We have a SEND and Inclusion Change Programme in place to tackle the significant pressures. In addition, Schools Forum agreed to transfer 0.5% of DSG funding for schools to support high needs services in 2022/23. To ensure our financial resilience is maintained, through the MTFS we have set aside sufficient funding in reserves to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.</p> <p><u>Financial Decision-making</u></p> <p>All reports to decision-making bodies include a financial implications section. As part of the Authority's governance arrangements this section of reports is signed off by a senior member of the Finance Service. This ensures that appropriate reference to financial resilience and sustainability is reflected in all reports and the impact reflected in the MTFS.</p>

Going Concern

Question	Management response
	<p><u>Prudential Indicators</u></p> <p>We use a range of indicators to report on and control exposure to financial risk from investment decisions. Some of these are indicators which provide insight into performance and risk, others are hard limits which control and limit exposure to risk. These limits, agreed by Council as part of the Investment Strategy each year, ensure we take decisions about investment/borrowing that may impact on our financial sustainability in the long term in a managed and transparent way.</p> <p>We formally assess and report our debt capacity as part of the capital strategy each year to ensure our investment plans are sustainable over the long term.</p> <p><u>Cash Flow</u></p> <p>We monitor our cash flow on a daily basis, including maintaining an up to date forecast position for at least the next 18 months. These cash flow forecasts do not indicate any material uncertainty relating to the Council’s continuing ability to meet financial obligations.</p> <p><u>Financial Reporting</u></p> <p>We report</p> <ul style="list-style-type: none">• Revenue forecasts to Corporate Board and Directorate Leadership Teams on a monthly basis• Revenue and capital forecasts, reserves and the delivery of savings to Cabinet on a quarterly basis• Treasury Management/cash flow forecasts to Cabinet every six months• Balance sheet forecasting on a quarterly basis within the Finance Service to identify any issues that need to be reported to senior management <p>We are satisfied that the financial reporting framework permits Warwickshire County Council to prepare its financial statements on a going concern basis and that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit & Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The effects of the Covid-19 and the continued inflationary risk has the potential to impact investment fund values, which in turn will potentially impact on asset values and the net pension liability. The Authority will need to consider and report on any impacts within the financial statements. Any accounting estimates and judgements and the consequential disclosures will be made in a way that has appropriate regard to the circumstances.</p> <p>Details of the basis for Level 2 and 3 investments (those where clearly quoted and fully observable valuation data is not available) will be included in the notes to the accounts.</p>
<p>2. How does the County Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>Senior management and the S151 officer consider the risk and judgements of material accounting estimates during the production of the accounts and ensure that the basis for the estimates and the effects of any judgements made and their associated risks are transparently reported.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Key management staff engage with the experts, where they are involved, in clearly defining and reviewing the basis and appropriateness of assumptions and source data for use in key accounting estimates used in the financial statements, such as the valuation of property, plant and equipment, financial instruments and pensions liabilities. This is done on an annual basis as the first stage of the preparation for closedown. The discussion and challenge is documented. In other areas, where other key accounting estimates are material, senior finance staff ensure there is a robust system of review and challenge in assuring the appropriateness of methods, assumptions and source data of those estimates. Again the review and challenge process is documented.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Management review material estimates and variances as part of the hot review of the accounts prior to the publication of the draft accounts. The process is documented and will be used to inform the material judgements and estimates within the financial statements.</p>
<p>5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?</p>	<p>No material changes have been made to the estimation process. We will continue to adopt the enhanced the management oversight and review of key estimates and assumptions introduced for the 2022/23 accounts.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>We use experts for the valuation of property, plant and equipment, pensions liabilities and the valuation of loans as these are material estimates and are recognised as key areas where an in-depth technical knowledge/specialism is required to provide adequate assurance over the validation of assumptions and required specialist knowledge is not readily available in the Authority. Where specialist skills are required we have clear contracting requirements and a documented system of review and challenge.</p>
<p>7. How does the County Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Where specialist skills are required the contracting requirements set out the assumptions, control activities and the format of the outputs required to enable an effective review and challenge process.</p> <p>Where controls are system driven these are documented and reviewed for appropriateness, with management oversight providing a separate professional view that the controls have been actioned appropriately and therefore that reliance can be placed on the figures.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>We document the review and challenge oversight by senior management. This includes independent verification of estimates and discussions with experts to understand the processes they have used and the reliability of the results.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> • The agreement of assumptions in advance, including their appropriateness • Verification of the underlying data in advance • The methodology to be used to determine the value of estimates and its appropriateness • Review of the results for reasonableness, including comparative analysis with previous years • Sensitivity of the results to the key assumptions to assess materiality • Senior management sign-off of the outcomes of the quality assurance process

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	We are not aware of any such transactions.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes, we believe the arrangements are reasonable.
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>We quantify the financial impact of estimation and uncertainty. This is reported to Audit and Standards as part of the Statement of Accounts.</p> <p>We report this risk assessment to Audit and Standards Committee and provide them with the opportunity to consider and comment if it does not align to their understanding of the organisation. To reach this stage the risk assessment has been through an internal assurance process through senior management within the Finance Service and within Legal Services.</p>



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Audit and Standards Committee

25 May 2023

Warwickshire Pension Fund - External Audit Risk Assessment 2022/23

Recommendation

That the Audit and Standards Committee considers and comments on the Audit Risk Assessment for 2022/23, attached at Appendix 1.

1. Purpose of the Report

- 1.1 The Pension Fund is asked by the external auditors to provide an audit risk assessment to help to inform external auditors of risks and issues that may impact on the accounts and therefore help external audit in focusing attention on key issues. The draft audit risk assessment is attached as Appendix 1 and documents the Pension Fund's key risk areas and the management response to these. The Audit and Standards Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make before the document is finalised and submitted.
- 1.2 Key issues and significant changes in comparison to last year are summarised in the following table:

Audit Risk Assessment – Summary of Key Issues and Changes

Heading	Key Issues/Changes
General Enquiries of Management	<ul style="list-style-type: none"> - The development and use of new fund offerings with Border to Coast Pensions Partnership - Impact of Russia/Ukraine conflict on asset values and wider socio-economic impacts
Fraud Risk Assessment	<ul style="list-style-type: none"> - The Fund reviewed its Bribery and Fraud Policy in March 2023 - Pension fund transfer scams continue to be a significant risk, and additional checks are in place, such as the Pension Pledge.

Laws and regulations	The McCloud and Goodwin requirements continue to be implemented
Related Parties	- No issues to highlight
Going Concern	- No issues to highlight
Accounting Estimates	- Level 3 valuations: there may be significant movements post balance sheet due to lagged reporting. (Level 3 investments are the most difficult to value, where funds are not valued based on observable market data and where the valuation can be sensitive to a single input. For the Pension Fund this refers to private equity, private debt, and infrastructure investments).

2. Financial Implications

- 2.1 There will be an audit fee in respect of external audit work which is budgeted for.

3. Environmental Implications

- 3.1 None arising directly from this report.

Appendices

Appendix 1 – Informing the Audit Risk Assessment for Warwickshire Pension Fund 2022/23

	Name	Contact Information
Report Author	Victoria Moffett Chris Norton	victoriamoffett@warwickshire.gov.uk ChrisNorton@warwickshire.gov.uk
Assistant Director for Finance	Andrew Felton	andrewfelton@warwickshire.gov.uk
Strategic Director for Resources	Rob Powell	RobPowell@warwickshire.gov.uk
Portfolio Holder for Finance and Property	Peter Butlin	PeterButlin@warwickshire.gov.uk

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

Local Member(s): n/a – pension funds

Other members:

Informing the audit risk assessment for Warwickshire Pension Fund

2022/23

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Avtar Sohal
Director
T 0121 232 5420
E avtar.s.sohal@uk.gt.com



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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Warwickshire Pension Fund's external auditors and Warwickshire Pension Fund's Audit & Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit & Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Standards Committee and supports the Audit & Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Warwickshire Pension Fund's management. The Audit & Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>Border to Coast Pension Partnership - the fund has transitioned further assets to the pool this year Impact of Russia/Ukraine conflict on asset values and wider socio-economic impacts Level 3 valuations – There may be significant movements post balance sheet due to lagged reporting The potential for further adverse developments in respect of the Covid pandemic</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes, we consider the accounting policies appropriate.</p> <p>No.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Financial Instruments form part of the Pension Fund's investments. The nature of these are determined by the Fund Managers and Custodian.</p> <p>Fund managers may make use of derivatives to achieve investment objectives. Derivative instruments have been used during the year.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No transactions outside of normal business. Significant transactions have occurred in respect of Fund launches and transitions in respect of Border to Coast Pension Partnership and in achieving strategic asset allocation targets.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	<p>The only non-current assets are investments. The value of investments fluctuate by their nature and will be valued at 31st March 2023.</p> <p>The Russia/Ukraine issue may result in related asset values being significantly reduced, however these form a small fraction of the total value of the Fund.</p>
6. Are you aware of any guarantee contracts? If so, please provide further details	Fund Managers may use financial instruments
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None
8. Other than in house solicitors, can you provide details of those solicitors utilised by Warwickshire Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	As well as in-house legal advice BCPP has also sought advice from an external provider Burness Paull. Further legal advice maybe be provisioned during 22/23 from Squire Patton Boggs.

General Enquiries of Management

Question	Management response
<p>9. Have any of the Warwickshire Pension Fund’s service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>Pension Fund Breaches as per the The Pensions Regulator are logged and reported where a material significance is identified.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Hymans Robertson – Fund Actuary and Investment Advisor consulted on investment, funding, and administrative activities.</p> <p>Independent Financial Advisors to the Pension Fund Investment Subcommittee – Bob Swarup (Camdor Global Advisors) and Anthony Fletcher (MJ Hudson)</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions maybe required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>The fund holds it cash balance with Lloyds which is a A+ rated institution. Investments are held by managers who follow their relevant accounting standards and apply these as appropriate.</p>

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Standards Committee and management. Management, with the oversight of the Audit & Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Warwickshire Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

• assessment that the financial statements could be materially misstated due to fraud,

- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit & Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Warwickshire Pension Fund's management.

Fraud risk assessment

Question	Management response
<p>1. Has Warwickshire Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Pension Fund's risk management processes link to financial reporting?</p>	<p>The pension fund produces a statement of accounts following accounting policies designed to ensure fair and consistent reporting of the financial position. The Fund utilises the same anti-fraud arrangements as the administrating authority.</p> <p>Internal Audit reviews provide assurance on the internal controls and systems which are used to deliver the accounts. The fund was subject to an internal counter fraud audit in 2021/22 resulting in an audit opinion that controls provide "substantial" assurance that risks are being managed.</p> <p>The Pension Fund Investment Sub Committee review fund risks quarterly. The fund maintains a detailed risk register which includes specific management actions to mitigate risks.</p> <p>The Fund has a draft Fraud Strategy which is progressing through to formal approval in 2022/23.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>A key risk is fund manager fraudulent activity. A key control around this is using Hymans Robertson as a consultant as they report on any identified issues (e.g. email alerts) and maintain a buy/sell list. Hymans Robertson have not reported any significant risks within the fund managers used.</p> <p>Risks are also mitigated through the use of an external custodian which creates a strong division of duties and means a high degree of collusion would be required to action and conceal any fraudulent activity.</p> <p>A scheme of delegation for the authorisation of transactions exists, approved by the Pension Investment Sub Committee.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Warwickshire Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>The Fund is not aware of any Fraud or error at this point.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Breaches of the law in respect of pensions administration activity are reported to the Local Pension Board, and where appropriate to the Pensions Regulator.</p> <p>Any investment issues would be reported to the Pension Fund Investment Sub Committee (and to the Local Pension Board if the matter was a governance matter.</p> <p>Accounting issues or fraud issues would be reported to the Audit and Standards Committee, and also to pension committees and/or the Local Pension Board as appropriate.</p> <p>Internal audit reports maybe reported to any of the above forums, and by default will automatically be reported to the Audit and Standards Committee. These reports may pick up issues to do with fraud, errors, controls, or other irregularities.</p> <p>Risk is reported to The Pension Fund Investment Sub-Committee and the Local Pension Board quarterly.</p>
<p>Page 11 of 15</p> <p>Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Warwickshire Pension Fund where fraud is more likely to occur?</p>	<p>Pension fund transfer scams (whereby unscrupulous companies persuade LGPS members to transfer their pension funds to other (generally higher risk and higher cost) pension schemes against the member's best interest. Changes to the criteria for transfers out and greater checks have been introduced by pension legislation, there is now a Pension Pledge that the fund has signed up to and members have to get independent financial advice before a transfer can take place. The fund also has more powers to refuse payment of transfers out if the new scheme does not meet the specified criteria.</p> <p>Attempts to contact customers with a change of bank account e-mails. This was directed to a WCC customer although the same risk applied to the fund.</p> <p>The Fund recognises that there are risks to the Fund, including the risk of fraud, and uses risk management and risk register to ensure that appropriate actions are in place to mitigate risks.</p> <p>No</p>
<p>6. What processes do Warwickshire Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>Policies and procedures are published on the Intranet covering theft and fraud and the process staff should follow if they suspect anything. These procedures also state the escalation procedure if required.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Warwickshire Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Controls mirror the County Council and independent assurance is provided through Internal Audit reviews. Internal Audit completed in respect of Fraud in 2021/22.</p> <p>Governance matters are reported to the Local Pension Board including the reporting of internal audit activity and findings.</p> <p>External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts. The administering authority's Annual Governance Statement is also applicable to the Pension Fund and is reported to Audit and Standards Committee.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting. The Investment Subcommittee is independent of the officers and consultants who provide financial reports to it and is supported by independent financial advisers in assessing the financial reports that it receives.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Potential for misreporting is mitigated by processes and controls. The following groups report based on industry standards adopted:</p> <ul style="list-style-type: none"> Managers – report based on guidelines Custodian controls Accounting protocols The involvement of a wide range of different professionals. <p>The pension fund investments sub-committee has had 2 Independent Financial Advisers and this mitigates the risk of misreporting happening or going unnoticed.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Warwickshire Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>This is communicated through the policies and procedures published on the Council intranet.</p> <p>The Council's Core behaviours encourage staff to report any fraudulent/otherwise unacceptable Behaviour. The values and behaviours include being trustworthy, accountable, to help people and communities to find their own solutions and being high performing and customer focused.</p> <p>Council has a fraud response plan where staff can report any suspected or discovered fraud. The Council operates a whistleblowing procedure.</p> <p>Staff can raise any concerns and business practice and ethical behaviour can be reinforced. No</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Pension Fund Officers within Investment team.</p> <p>A signatory protocol is in place that ensures division of duties, and periodic internal audit assignments review the application of controls and their effectiveness. Staff are appropriately qualified with a requirement to meet professional standards of conduct.</p> <p>IT security controls access to electronic information. There are professional qualification requirements for certain posts.</p> <p>A scheme of delegation further exists for transactions and accountability.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>If related party relationships were a feature of a transaction, conflicts of interest would be proactively identified and declared, and appropriate arrangements put in place to manage them.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit & Standards Committee?</p> <p>How does the Audit & Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Policies and procedures are published on the Intranet and these procedures also state the escalation procedure if required.</p> <p>The council has a Whistleblowing policy which is intended to promote a culture of openness and transparency.</p> <p>Oversight is also exercised through Internal Audit assignments reporting to the Audit and Standards Committee (and also to the Local Pension Board).</p> <p>Completed audits are reported to the Audit and Standards Committee, and to the Local Pension Board.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No reports have been made of this nature.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Standards Committee, is responsible for ensuring that Warwickshire Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Standards Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Warwickshire Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?</p>	<p>The Monitoring Officer and the Section 151 officer provide assurance that laws and regulations have been complied with. Our retained advisers also provide assurance, and we commission specialist advice where required.</p> <p>A Pension Fund governance review was carried out and reported to Local Pension Board in 2019 comparing practice with Pension Regulator requirements. An associated action plan has been implemented. A light touch update to this review was undertaken in 2021/22.</p> <p>The Fund maintains a register of breaches of the law.</p> <p>No</p>
<p>2. How is the Audit & Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through a risk-based programme of internal audit work, the Annual Governance Statement, and the existence of policies and procedures that are reviewed, updated and agreed by the Pension Fund Investment Sub-Committee based on an agreed annual review schedule to ensure compliance with the law (for example procurement policies).</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>The McCloud and Goodwin cases, however the impact is likely to be immaterial.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Warwickshire Pension Fund have in place to identify, evaluate and account for litigation or claims?	<p>The Pension Fund have the support of an internal legal team within the Administrating Authority, and the option to commission external specialist legal opinion, advice, and support where necessary.</p> <p>The fund operates an Internal Dispute Resolution Procedure.</p>
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None noted.

Related Parties

Matters in relation to Related Parties

Warwickshire Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Warwickshire Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any body that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Pension Fund's perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Warwickshire Pension Fund's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Warwickshire Pension Fund whether Warwickshire Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No
<p>2. What controls does Warwickshire Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Key officers and the members of pension fund committees and the Local Pension Board are required to declare any interests that cause a conflict of interest.</p> <p>Related parties are identified by officers and incorporated into the related parties disclosures in the accounts as appropriate.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Transactions are reviewed by appropriate officers. Significant transactions (e.g. large fund transfers) are subject to more detailed planning and process.</p> <p>Transactions are signed off by appropriate officers in line with an approved scheme of delegation.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Transactions are signed off by appropriate officers in line with an approved scheme of delegation.</p> <p>There is no facility to authorise transactions outside of this scheme of delegation.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies.

This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government / NHS bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Warwickshire Pension Fund will no longer continue?	<p>Going concern is assessed by management using four key factors as follows:</p> <ul style="list-style-type: none"> • Investment Returns & Net Asset Values • Cashflow forecasts & liquidity • Membership Trends • Funding levels and delivery of agreed recovery plans
2. Are management aware of any factors which may mean for Warwickshire Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	We are not aware of any factors which may mean either statutory services will no longer be provided or that funding for statutory services will be discontinued.
3. With regard to the statutory services currently provided by Warwickshire Pension Fund, does Warwickshire Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Warwickshire Pension Fund to cease to exist?	The fund expects to continue to provide the statutory services currently provided by Warwickshire Pension Fund and expects to continue to deliver them for the foreseeable future
4. Are management satisfied that the financial reporting framework permits Warwickshire Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit & Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Covid-19 and the Russia/Ukraine conflict may impact on financial asset volatility. Accounting estimates and related disclosures made will be made in a way that has appropriate regard to the circumstances. Details of the basis for accounting estimates for Level 2 and 3 investments are included as notes to the accounts.
2. How does the Pension Fund's risk management process identify and address risks relating to accounting estimates?	Fund officers will consider the risks of accounting estimates during the production of the accounts and how to ensure that the basis for the estimates and their associated risks are transparently reported.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Fund asks fund managers to provide information as to their methodology/assumptions applied.
4. How do management review the outcomes of previous accounting estimates?	Management review the updated accounting estimates and are aware of the differences in value to the estimates made at the accounting date.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>For investments, the Fund relies upon fund managers whose investments are valued at fair value in accordance with their appropriate respective professional guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Regarding non-investment related accounting estimates (for example debtors and creditors), the Fund will ensure appropriately qualified staff or advisers are engaged.</p>
7. How does the Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>The fund custodian applies a roll-forward valuation based on the 31st December 2022 or 30th September 2022 statements, adjusting for cashflows. This is compared to the year-end or calendar end statements once available. The fund escalates its communication with L3 managers around year end so to understand any potential material changes in the NAV at the reporting period.</p> <p>Internal control reports from managers are reviewed</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>The fund works closely with the custodian.</p> <p>Fund managers are required to operate to relevant professional and regulatory standards. Fund officers meet periodically with Fund managers to discuss fund activity, this includes discussing the timely provision of capital statements and early intelligence at reporting period end.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Reconciliations are carried out against custodian reporting. These are further compared to manager statements.</p> <p>The accounts are reviewed by the Assistant Director of Finance and the Strategy and Commissioning Manager (Finance).</p> <p>Draft accounts are reported to the Audit and Standards committee for review and comment.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	We are not aware of any such transactions
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes, we believe the arrangements are reasonable. The accounting arrangements are aligned with the relevant regulations and codes of practice.
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	We quantify the financial impact of estimation and uncertainty. This is reported to Audit and Standards as part of the Statement of Accounts. The use of appropriately experienced staff to prepare the accounts, reviews by professionally qualified more senior staff, external audit review, and the preparation of accounts in line with relevant accounting standards.

Appendix A Accounting Estimates

Estimate [Examples]	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Actuarial valuation of the fund	The Fund's actuary undertakes a valuation of the pension fund liabilities, on an IAS19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year,	CIPFA's Code of Practice on Local Authority Accounting 2022/23 is applied as well as compliance with IAS26 and IAS19..	Actuary	A range of assumptions is applied by the Actuaries from demographic assumptions, Longevity assumptions to life expectancy to arrive at the present value of future pension liabilities. Sensitivity analysis is also applied to arrive at different results.	No
Level 2 investments	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	The values of investments are determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).	Fund Manager	NAV-based pricing set on a forward pricing basis	No

Appendix A Accounting Estimates

Estimate [Examples]	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	These investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 special rules 2020 and US GAAP.	The values of investments are determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).	Fund Manager	EBITDA multiple; Revenue multiple; Discount for lack of marketability; Control premium	No
Fair value estimates	Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise of quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.	The values of investments are determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).	Fund Manager	Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.	No



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Audit and Standards Committee

25 May 2023

Draft Annual Governance Statement 2022/23

Recommendations

That the Committee endorses the Draft 2022/23 Annual Governance Statement, at Appendix 1, for onward consideration by the Council's External Auditor.

1. Executive Summary

- 1.0 The Accounts and Audit Regulations 2015 require the Council to conduct a review, at least once a year, of the effectiveness of its systems of internal control and to prepare an Annual Governance Statement (AGS).
- 1.1 The Draft AGS has been informed by input from colleagues from across the Council and oversight has been provided by the Assistant Director for Finance (Deputy Section 151 Officer).
- 1.2 The Draft AGS represents the governance framework as operating throughout 2022/2023 and it has been considered by Corporate Board and a recommendation made to share with the Audit and Standards Committee.

2. Financial Implications.

- 2.0 None.

3. Environmental Implications

- 3.0 None.

4. Supporting Information

- 4.1 The AGS is produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The Council's Code of Corporate Governance underpins the AGS and sets out the seven core principles of governance and the Council's arrangements against each principal.

- 4.2 The Council's Code of Corporate Governance was updated in 2021 and approved by Cabinet in April 2021 and has been in operation throughout 2022/23. The full details of our current code and how we meet the seven Principles of Good Governance can be found on our website here: <http://www.warwickshire.gov.uk/corporategovernance>.
- 4.3 The AGS aims to compliment the governance arrangements detailed in the Council's Code of Corporate Governance. It presents an open and honest self-assessment of the Council's performance over the year and key challenges against these principles. The AGS provides an update against improvements which were required during the year. Improvement action that the Council plans to take in 2023/24 is also included for the Committee to view.
- 4.4 In line with good practice, Assistant Directors and the Director of Public Health's representative have completed assurance statements at the year end, confirming their understanding and compliance with the Council's approach to the management of risk and good governance in their services.

5. Timescales associated with the decision and next steps

- 5.1 The timetable for producing an approved draft AGS for public inspection and then publication, complies with the Accounts & Audit Regulations with key timings being:
- Corporate Board endorsed the draft 2022/23 AGS for consideration by Audit & Standards Committee;
 - Following consideration and endorsement by the Audit & Standards Committee, the draft 2022/23 AGS will be shared with the Council's External Auditor; and
 - The final AGS, incorporating any required post audit amendments, will be presented to Audit & Standards in November 2023 to recommend for approval by Full Council in December 2023.

Appendices

Appendix 1 - Draft 2022/23 Annual Governance Statement.

Background Papers

None.

	Name	Contact Information
Report Author	Sharon Birdi Liz Morris Chris Norton	sharonbirdi@warwickshire.gov.uk lizmorris@warwickshire.gov.uk chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton Assistant Director - Finance (Deputy S151)	andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Finance and Property	

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

Local Member(s): None.

Other members: None.

Appendix 1:

Appendix 1

Annual Governance Statement

Year ended 31 March 2023



*Working for
Warwickshire*

Annual Governance Statement 2022/23

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1 Executive Summary

Warwickshire County Council's ambition is to make Warwickshire the best it can be, sustainable now and for future generations. We want Warwickshire to be a brilliant County in which to grow up, work and prosper and grow older.

To be successful the Council must have a solid foundation of good governance and sound financial management. Our Council Plan is available on the Council's website: <https://www.warwickshire.gov.uk/councilplan> and describes how the Council will meet the challenges ahead and make the most of opportunities. To be successful the Council must have a solid foundation of good governance and sound financial management.

Warwickshire's Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. A copy of the Council's Code is available on our website at <http://www.warwickshire.gov.uk/corporategovernance>. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements set out in the Code of Governance have been working. This Statement gives assurances on compliance for the year ending 31 March 2023 and up to the date of approval of the Statement of Accounts.

The Leader of the Council and Chief Executive recognise the importance of having a solid foundation of good governance and sound financial management and commit to continue to further enhance our governance arrangements to enable delivery of our Council Plan.

2 The Governance Framework

We are responsible for delivering public services for the benefit of the people of Warwickshire, operating in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money services.

To meet our responsibility, we have put in place effective governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

We have approved and adopted a **Code of Corporate Governance**, which sets out the principles of the *CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016)*

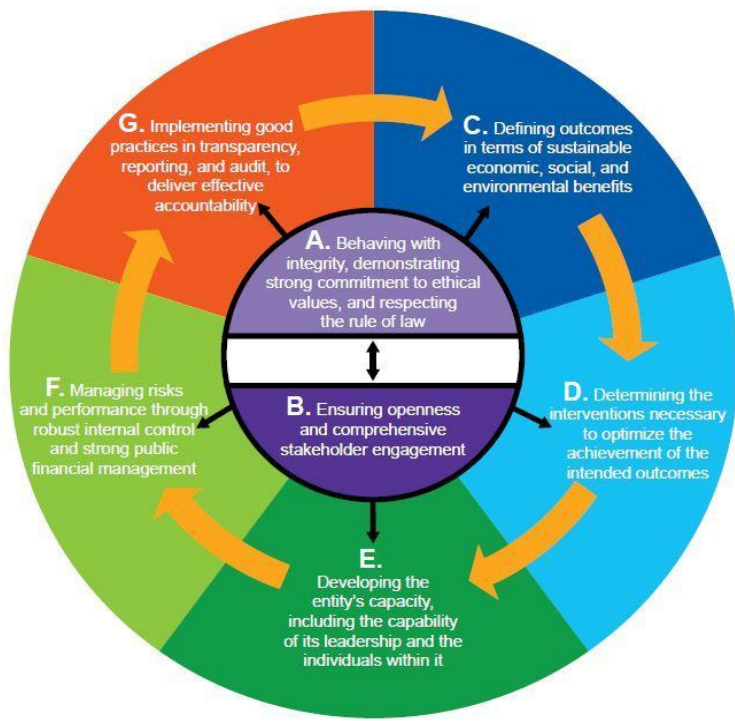


Figure 1: CIPFA's Principles of Good Governance

The Council's Code of Corporate Governance was updated in 2021 and approved by Cabinet in April 2021, to present how our governance arrangements support each core governance principle and reflect organisational structures and processes. The full details of our current code and how we meet the seven Principles of Good Governance can be found on our website here: <http://www.warwickshire.gov.uk/corporategovernance>

We continue to monitor external factors that may have an impact on the Council's governance arrangements and will take appropriate action where necessary. International political and economic events continue to cause significant uncertainty, driving inflation and cost of living challenges. The legal and regulatory framework will continue to change and will present opportunities to update our governance arrangements over time.

The Code of Corporate Governance will be reviewed at least every 4 years, and more frequently if needed. Consequently, governance arrangements in the Code are not repeated in the AGS, which will focus on compliance, effectiveness and improvements to the Framework.

The aim of the governance framework

Our Framework allows us to direct resources in accordance with our priorities, monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us to deliver appropriate services. The Framework also aims to assure we deliver value for money by applying specifically governance processes aligned to:

- Principle C: defining outcomes that have impact.
- Principle D: optimising achievement of outcomes that are effective.
- Principle E: strong financial management that delivers economic and efficient solutions.

The Annual Governance Statement provides assurances that these processes are working in practice and provide services in line with our priorities by delivering on our supporting priority of Making the Best Use of Resources.

Figure 2: The Council's Three Strategic Priorities



We want Warwickshire to have a **thriving economy and places** that have the right jobs, skills, education, and infrastructure.



We want to be a County where all **people can live their best lives;** where communities and individuals are supported to live safely, healthily, happily and independently.



We want to be a **County with a sustainable future** which means adapting to and mitigating climate change and meeting net zero commitments, so that our generation ensures future generations can live well and reap the benefits of a sustainable and thriving Warwickshire.

Financial Management Code of Practice

Our Code of Corporate Governance was enhanced by adopting CIPFA's Financial Management Code of Practice in 2021/22 and compliance with the Code is reviewed on an annual basis as part of the AGS process. The annual refresh of the CIPFA FM Code self-assessment was reported to the Audit and Standards Committee in March 2023. This reiterated that the Council complies with the standards set out within the Code. The Committee also considered progress on the delivery of the Code's improvement action plan and approved a new action plan for 2023/24. Given the Council is already compliant with the Code, the improvement action plan entails continuing to push for best practice in relevant areas, rather than simply settling for basic compliance.

We are alert to ensuring our governance arrangements support the Council as a whole and individual services to deliver value for money across all our activity and at all levels of accountability, and we continue to seek to adapt and improve our governance arrangements in that regard.

3 Review of compliance with the Code of Corporate Governance

We confirmed that arrangements under each of seven governance principles continue to be applied. The COVID pandemic made 2020/21 a year of significant change which required the Council, wherever required, to adapt existing governance arrangements as part of our response to the pandemic and plans for recovery. Many of these changes have now become established as part of the Council's governance arrangements as we adapted to a new way of working during 2022/23 and beyond.

We have set out below, for each governance principle, our self-assessment of compliance in the year.

Table1: Summary of Compliance against the Code of Corporate Governance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Compliance Overview	<p>The key policies, procedures and practices set out in the Code of Corporate Governance remained in place and were applied throughout the year. Our key behaviours and supporting values which underpin our governance arrangements are at the heart of all we do and continued to be central to how we appraise our performance.</p> <p>We have continued to meet the Public Sector Duty, as set out in the Equality Act 2010 and do not consider that we have unlawfully discriminated in the provision of services whether delivered by us or commissioned externally. Equality impact assessments have also continued to be produced to inform all appropriate decisions during the financial year.</p>
	<p>Integrity is embedded in our behaviours and the supporting values of being accountable and trustworthy. To ensure our behaviours are upheld we have codes of conduct for officers and members, registers of gifts and hospitality, registers of financial interests, and policies on anti-fraud and whistleblowing.</p> <p>We reviewed our Member Code of Conduct against the LGA Model Code, and a new updated Code of Conduct was agreed at Council in July 2021. We undertook several refresher training sessions for members on conduct and behaviours during 2021/22 and these have continued throughout 2022/23 as part of our refreshed approach to Member Development. As part of those sessions, we consider any developments in law or guidance in the area of member conduct and update members. If there are any significant developments, these will form the basis of a further formal review of the Code. https://democracy.warwickshire.gov.uk/documents/s14878/Revised%20Member%20Code%20of%20Conduct.pdf</p> <p>We include ethical values in policies and procedures for all areas including procurement and partnership working. We have a Complaints Policy and a corporate complaints and feedback procedure to ensure that all complaints are investigated and are responded to as quickly as possible (http://www.warwickshire.gov.uk/complaints). We appreciate the diversity of our</p>

customers, workforce and the wider Warwickshire community and are committed to Equality, Diversity and Inclusion and fulfilling our Public Sector Equality Duty. This is integral to everything we do including policy development, service delivery and partnership working to ensure that we do not unlawfully discriminate in the services we deliver or commission (<http://www.warwickshire.gov.uk/equality>).

Our Constitution, <https://www.warwickshire.gov.uk/constitution> including Contract Standing Orders and Financial Regulations were reviewed during 2022/23, with only minor updates required during the financial year to ensure that they remained legislatively compliant and reflect the organisation's operating arrangements. Changes were approved by Council in May and September 2022.

The Constitution sets out the decision-making framework to ensure that all officers, key post holders and Members can fulfil their responsibilities in accordance with legislative requirements. All our reports to member bodies receive financial and legal checks prior to submission to ensure they comply with regulatory requirements. Our Monitoring Officer receives weekly reports to alert her to any legal issues which she shares with the Section 151 / Deputy Section 151 Officers and the Head of Paid Service. The Head of Paid Service, Section 151 / Deputy Section 151 Officers and Monitoring Officer meet regularly to ensure any regulatory requirements are addressed and any regulatory risks are discussed and visible.

A formal induction programme for Members is undertaken following each quadrennial election which covers the legal principles governing decision making and the Code of Conduct. The induction programme incorporates commercial awareness to ensure that members understand their responsibilities in relation to governance of commercial activity. Member induction and training also covers a broader understanding of Council finances and the key Committee and Officer roles responsible for governing our finances as well as the wider responsibilities of the Council and the services it provides. This is supplemented annually by on-going Member refresher training for key areas like finance.

All officers with budget responsibilities receive training on general financial management and specifics around financial policies, procedures, systems and propriety.

Cabinet approved the Procurement and Contract Management Strategy in November 2022. The Strategy has been considered by a number of employees to seek feedback prior to formal promotion and training being carried out in 2023/24. Nationally, Procurement Regulations are being refreshed and are currently running through Parliamentary approvals processes with implementation likely to take place in January 2024. A report has been shared with Corporate Board on possible implications for further consideration. In addition, following a focused piece of work involving procurement and legal teams, areas where we can further strengthen procurement practice have been identified and will continue to be a focus during 2023/24.

The Joint Consultative Committee meets on a quarterly basis providing the opportunity for elected employee representatives to meet with senior management and discuss issues affecting the whole workforce including Health & Safety. Teacher Trade

	<p>Unions meet separately with the Assistant Director of Education to discuss Education and Schools specific items. We have a positive working relationship with the Trade Unions, and they are proactively involved at a Directorate level in relation to change management and individual casework.</p> <p>We are registered as a data controller under the Data Protection Act as we collect, and process personal information and we have a named Data Protection Officer, a role shared by the Corporate Records Manager and the Information Rights Manager. We have General Data Protection Regulation (GDPR) compliant procedures that explain how we use and share information and arrangements for members of the public to access information. We have adopted the model publication scheme produced by the Information Commissioner’s Office (ICO), in accordance with the Freedom of Information Act 2000. https://www.warwickshire.gov.uk/publicationschemeguide</p> <p>Trading companies, wholly or partly owned by the Council, are scrutinised and challenged through shareholder representatives and for wholly owned companies the Commercial team monitors performance through the Commercial Delivery Group on a quarterly basis. In some instances, Council officers are appointed as Directors, and where appropriate, we also support new Council appointed Directors with training on how to perform their role as Directors effectively. Annual General Meetings are held by all trading companies to allow the Council as shareholder to further review annual performance and influence company governance procedures. Directors of relevant companies have also received “conflict of interest” awareness training and we actively monitor the risk of potential conflicts. Investments are governed by appropriate documents, for example loan agreements. The Council operates an anti-money laundering policy, and the Assistant Director Finance (Deputy Section 151 Officer) is the Council’s Anti-Money Laundering Responsible Officer (AMLRO).</p>
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Principle B: Ensuring openness and comprehensive stakeholder engagement	
Compliance Overview	<p>The key policies, procedures and practices set out in the Code of Corporate Governance remained in place and were applied throughout the year.</p> <p>Council and Committee meetings are available as webcasts (https://warwickshire.public-l.tv/core/portal/webcasts), and decisions are recorded and published.</p> <p>The Warwickshire Youth Council represents the voice of young people in Warwickshire. Each year, young people across Warwickshire vote for self-nominated young people to represent them. Those elected meet monthly at Shire Hall and have the responsibility of campaigning and ensuring that the voice of young people is heard across the Council. Each area of Warwickshire also has a Youth Forum which represents young people at a more local level.</p>

We continue to be guided by the Children and Young People Strategy 2021 - 2030 which has the Child Friendly Warwickshire programme at its heart. Approved by Cabinet in October 2021, the Strategy outlines the Council's commitment to ensuring children and young people have a voice and are supported to be the best they can be. The Strategy's goals and ambitions were shaped by feedback from a survey completed by over a thousand young people across Warwickshire and will be the Council's approach to working with partners, families and communities between now and 2030 to help youngsters reach their potential.

We have an Employee Engagement Strategy to ensure employees have a voice, that managers and leaders hear and can act on staff feedback and that they continue to focus on coaching and developing their people, and there is clear communication about the direction of our Council. This is supported by employee forums and regular employee surveys, regular check in surveys which measure employee engagement and our direction of travel against Our People Strategy Delivery Plan which includes our people related measures.

Regular Corporate Board and Strategic Director live broadcasts, supported by Assistant Director and Team briefings and broadcasts are now embedded as a way to engage with our people irrespective of working arrangements (remote, office based or hybrid). Feedback from employees that completed the 'Your Say Survey' in February 2023 highlights 79% agree or strongly agree that 'Our internal communications keep me updated on what is happening'.

Regular feedback is provided to the workforce through various mechanisms, for example through briefings, Working 4 Warwickshire, intranet pages etc.

Warwickshire County Council, as "Corporate Parents", have high aspiration for our children in care and care experienced young people. We are committed to hearing the voice of children in care through engagement with the Children in Care Council who seek to improve services for children. <https://www.warwickshire.gov.uk/childrenincare>

The Warwickshire Pension Fund engages with its employers and members through the Warwickshire Local Pension Board which has representatives from employers and members, and through direct communications for example directly sharing new policies such as the Funding Strategy Statement for comment. The Pension Fund is currently rolling out online member self-service, which is improving the accessibility of information for members. There is also a Warwickshire Fire and Rescue Local Pension Board of the Firefighters' Pension Scheme.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Compliance Overview

We have a clear set of priority outcomes in our five-year Council Plan and associated deliverables in our two-year Integrated Delivery Plan. The Council Plan has three priorities as follows:

- Priority 1, A county with a thriving economy and places with the right jobs, skills, and infrastructure (Economy & Places);
- Priority 2, A place where people can live their best lives, where communities and individuals are supported to live safely, healthily, happily, and independently (People & Communities); and
- Priority 3, A place with sustainable futures, which means adapting to and mitigating climate change and meeting net zero commitments (Sustainability).

The Medium-Term Financial Strategy (MTFS) supports the delivery of the Council Plan and is based on clear assumptions. Resources are aligned to priorities and ensure a balanced budget to sustain services and the longer-term financial health of the Council. The MTFS process, which includes scenario planning, assists with forward planning and responding to variations in financial forecasts and changes to assumptions. All Committee decisions have to identify any environmental implications linked to the decisions in the reports.

The Council Plan was approved and became effective from 1 April 2022 and is supported by the Integrated Delivery Plan which was approved by Cabinet in May 2022 and has been refreshed and approved in May 2023. Our strategies are supported by Business Plans, key change projects and investments to develop the actions needed to deliver outcomes. Projects and investments are scrutinised to ensure they deliver required outcomes.

The Council's Capital Programme is directed by our Integrated Capital Strategy, aligned to the Council Plan and approved by Council in February each year as part of the MTFS. The Capital Review has delivered a range of improved processes and embedded new controls around capital programme management, with the final stage linked to upgrading our financial system for capital monitoring.

Priorities and a programme of actions for addressing the climate emergency the Council declared in 2019 are included in the Council Plan and all Council reports identify financial and environmental implications. Warwickshire is committed to reducing emissions from areas that the Council has direct control over including its own transport, gas and bought electricity to net zero by 2030. The Council has also committed to working with all partners and residents in Warwickshire to support the County to net zero by 2050.

The draft Sustainable Futures Strategy with a trajectory for carbon emission reductions to be a net zero county by 2050 was agreed at Cabinet in October 2022. A large-scale engagement campaign has been conducted with a range of

	<p>stakeholders and further targeted sessions will follow through the period to August 2023 to co-produce the Strategy and an action plan. The final Strategy and action plan for Warwickshire is due to be taken to Cabinet for approval in October 2023.</p> <p>Warwickshire Pension Fund has completed the 2022 valuation with a positive data quality assessment, and the Funding Strategy Statement has been updated. The Pension Fund has a Climate Risk Investment Strategy in place, and the Council’s own Investment Strategy for non-treasury investments includes a dedicated ethical investing policy.</p> <p>Warwickshire Property & Development Group (WPDG) is now trading with the Joint Venture, Develop Warwickshire, having been successfully created. WPDG will play an important role in shaping Warwickshire as a place to invest, live and thrive.</p> <p>The Warwickshire Recovery and Investment Fund (WRIF) is now in full operation with the relevant capacity and contracts in place for the services and expertise required to manage the Fund. The Fund is managed by an Investment Panel.</p> <p>Both the WPDG and WRIF have dedicated oversight from a Member Oversight Group.</p>
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Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Compliance Overview	<p>The key arrangements for managing performance and delivery, to inform interventions, continued to operate throughout the year.</p>
	<p>Arrangements are in place to report critical management information on the key aspects of delivery of the Council Plan, including finance (monthly), risk and performance (quarterly) to Corporate Board and quarterly to Cabinet and Overview & Scrutiny Committees. Staffing vacancies have impacted on the frequency of risk reporting to Corporate Board in recent months however, the Risk and Assurance Manager post has been in place since April 2023 and reporting is expected to be back to plan in 2023/24. At the end of the year Assistant Directors signed off statements providing assurance that they have been managing risks in their service areas.</p> <p>Our Performance Framework supports the delivery of the Council Plan, and includes mechanisms to assess progress, inform actions and interventions to achieve intended outcomes. The Programme Management Office, monitor and scrutinise project delivery against plans and highlight actions needed to manage escalated risks and deliver project objectives. Performance reporting flows through the executive structure and through Directorate Leadership Teams in the normal course of business.</p>

We have introduced an Integrated Delivery Plan to track delivery against the Council Plan on a quarterly basis alongside information on risk and performance. Increased emphasis is being placed on benefit identification and realisation. This is reported quarterly to Corporate Board, Overview and Scrutiny Committees, and ultimately to Cabinet.

Each Directorate has escalation arrangements in place to its Directorate Leadership Team. Our Service Business Continuity Plans and procedures set out mitigating actions and contingency plans in response to business interruption events. We work in partnership with Coventry and Solihull Councils as part of the Coventry, Solihull and Warwickshire (CSW) Resilience Team, linking with the Warwickshire Local Resilience Forum to actively manage Civil Contingency requirements and responses. <https://cswprepared.org.uk/>

Delivery of Council Plan outcomes is achieved through business plans, strategies and programmes/projects. This is supported by business insight, commissioning, performance, and corporate policy functions. The appraisal system links Council objectives to individuals' personal objectives and personal development plans.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Compliance Overview

The key arrangements for building our capacity and capability continued to operate throughout the year. Leadership forums, including Senior Leadership Forum were maintained and enhanced with strategy & commissioning network meetings.

A member induction and development programme is delivered each year to ensure the core development needs of members, aligned to their respective roles, are met and to take account of new and emerging issues.

Our People Strategy ensures our workforce can deliver the Council Plan and that they remain aligned with our vision and behaviours. Direction continued to be determined by Corporate Board with progress being overseen by the Assistant Directors with responsibility for HROD functions alongside Corporate Board and the Staff and Pensions Committee. The Staff and Pensions Committee provides overall oversight of the development of our people and approves the Our People Strategy and Annual Delivery Plan. Our Agile Working Principles set out how employees can work as efficiently and productively as possible, whilst maintaining a priority focus on service needs.

The Our People Strategy recognises that the Council's people are its primary asset to enable the delivery of exceptional services to Warwickshire's communities. It is aimed at delivering our vision for the Council to be a great place to work where diverse and talented people are enabled to be their best. The Strategy is our mechanism to have an effective approach to workforce planning, reward and recognition, embedding our values, behaviours and a high-performance culture, leadership and talent development and supporting our organisational design.

We have a corporate process for annual appraisals and Personal Development Plans supported by regular 1:1 conversations. This provides the necessary clarity of expectations and behaviour, direction, support and opportunities for growth and development and allows employees and managers to have constructive discussions on performance, progress against outcomes, wellbeing and development. The appraisal process is aligned to the Council's Behaviours Framework and our recruitment process for senior managers applies a behavioural assessment process, which includes leadership capability and identifies personal development areas.

We have a Senior Leadership Forum (SLF) of our top three management tiers primarily for leadership and strategic organisational matters. The SLF has continued to meet regularly and effectively both in person and online as appropriate. We invest in the health and wellbeing of our employees with a Workplace Wellness Strategy and supporting processes including those to manage sickness absence and return to work.

The health & wellbeing of our people remains a top priority and as well as ensuring we engage with employees as stakeholders, we have focused on building a resilient and high performing workforce:

- maintaining wellbeing and HR policy information on dedicated intranet sites (Keeping You Well and Working, Working4Warwickshire) with links to active internal and external support networks, resources and employee wellbeing check in surveys; and actions arising from those surveys; and
- regular live broadcast to our people from Corporate Board and Strategic Directors, which help to communicate key well-being messages, updates and provision of Questions & Answers.

We have continued our approach from last year to listening to the voice of our people, through our YourSay engagement survey. We have also achieved 'silver' in the 'thrive at work' accreditation. The priority focus has been on wellbeing and workload. A series of questions within the survey have given us an overall wellbeing score of 78% and has set a high benchmark for future years. In terms of workload, we have measured this throughout the year with an in-year increase from 62% to 64% of people feeling that their workload is manageable. Workload will remain a focus going forward. Sickness absence rates have remained relatively stable across the year however, we have seen a slight increase in our days per full time equivalent relating to stress and mental health absence and addressing this will form part of our wellbeing offer during 2023/2024.

Our strategic Equality Diversity and Inclusion (EDI) agenda is guided by Corporate Board and the Council's EDI Group will ensure this agenda is translated into practice. The Council EDI Group is chaired by the Strategy and Commissioning Manager for Human Resources and Organisational Development (HR&OD) and is comprised of diverse employees from across the Council, advised by the EDI team.

The Council's move to the Cloud-based Microsoft 365 environment has secured communication and data security and has also enhanced our ability to work remotely and collaboratively. A portfolio of training materials is available to all employees via the Council's intranet.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Compliance Overview The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been fully applied throughout the year for the Council and for Warwickshire Pension Fund.

The Council adopted a new Strategic Risk Management Framework in April 2021 and continues to apply the CIPFA Code of Practice for Managing the Risk of fraud and corruption and this is reflected in our anti-fraud policy. <http://www.warwickshire.gov.uk/antifraud>

Strong financial management is achieved through a robust Medium-Term Financial Strategy process which includes comprehensive involvement of Elected Members and Corporate Board to enable the delivery of the outcomes and objectives set out in the Council Plan and achieving a balance between robustness of financial management and achieving the Council's ambitions.

The Council's budget is set as part of a five-year Medium Term Financial Strategy, which is reviewed annually to ensure we remain prudent, robust and ambitious, whilst being flexible and responsive to emerging situations. The Council's strong financial management includes a range of activities and controls including policies and procedures relating to financial management (financial planning, budgetary control and accounting), procurement, contracting and investment.

Cabinet approved the Procurement and Contract Management Strategy in November 2022. The Strategy has been shared with relevant colleagues to seek feedback in advance of the roll out of training, which is planned for delivery in 2023/24. Nationally, a new Procurement Act is expected to come into force in January 2024. Corporate Board has considered a paper on the possible implications of the new Procurement Act for the Council.

Risk management is an integral part of good corporate governance and management and is therefore at the heart of what we do. Our approach to managing risk is explained in the Strategic Risk Management Framework. The Framework has been implemented through the development of a strategic risk register. Service level risks have also been identified and assessed resulting in the development of service level risk registers. Service areas have reviewed and updated risk throughout the year however, work is required to embed this consistently across the Council.

Our Performance Framework supports the delivery of the Council Plan, and includes the following mechanisms to assess progress, inform actions and interventions to achieve intended outcomes:

- progress against the Council Plan and the MTFs is assessed through Key Business Measures (KBMs) to evaluate the delivery of outcomes for reporting to Overview & Scrutiny Committees and Cabinet on a quarterly basis; and
- a suite of reports and dashboards provides HR, finance and performance data to Strategic Directors, Assistant Directors and third tier managers for their areas of responsibility. This enables managers to interrogate information quickly and efficiently and identify any interventions needed.

For programmes and projects new governance arrangements have been agreed in 2022/23, these are being consolidated through 2023/24. These changes were in train before the Local Government Association Peer Review of March 2022 and reflect the recommendations of that review. Programmes and projects owned within the Directorates will report and provide assurance through the Directorate Leadership Teams. Each Strategic Director is responsible for updating Corporate Board by exception on delivery, risks and issues. The Council has developed two key cross-cutting theme boards, Sustainable Futures and Levelling Up, which report directly to Corporate Board. The Programmes and Projects supported by officers from the Portfolio Management Office (PMO), are delivered using the PMO standards and processes with governance following the new arrangements i.e. into the respective Directorate Leadership Team and Strategic Director.

We have an effective system of internal audit delivered in line with the Public Sector Internal Auditing Standards and effective counter-fraud and corruption arrangements as well as whistleblowing policies and procedures. Internal Audit provide advice to service areas and change projects to help ensure the control environment remains strong. We have adopted the CIPFA Code of Practice for Managing the Risk of Fraud & Corruption, and this is reflected in our Anti-Fraud Policy. <http://www.warwickshire.gov.uk/antifraud>. There is regular reporting on audit assurance outcomes to Audit & Standards Committee.

All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

In February 2023, an independent review was performed by a representative of CIPFA to determine how Internal Audit has applied the Public Sector Internal Audit Standards PSIAS (revised 2016 and 2017) and CIPFA Local Government Application Note (LGAN) in practice. The review confirmed compliance with all requirements and there were no areas of partial or non-compliance. The audit opinion stated, "It is our opinion that the self-assessment for the Warwickshire County

Council's Internal Audit Service is accurate, and we therefore conclude that the *Internal Audit Service generally conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.*"

We gain assurances on internal control from:

- Assistant Director annual assurance statements;
- social care quality assurance policy and procedures;
- the Internal audit work programme reports;
- risk management arrangements; and
- external sources of assurance including external audit opinions, statutory inspections, third party reviews and whole council or service specific peer reviews.

We actively promote safeguarding to prevent harm and reduce the risk of abuse or neglect, working with partners as Warwickshire Safeguarding <https://www.safeguardingwarwickshire.co.uk/>

Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Compliance Overview

We endeavour always to be open and transparent. The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied throughout the year for the Council and for the Warwickshire Pension Fund and can be accessed here. <https://www.warwickshirepensionfund.org.uk>

Each year we publish information on our website outlining how we spend Council Tax income. <http://www.warwickshire.gov.uk/counciltaxspending>

We have a forward plan which provides information about the key decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the Council is planning to take, and the decisions taken. Live and recorded webcasts of formal public meetings are available. <http://www.warwickshire.gov.uk/democracy>

Corporate Board, supported by Directorate Leadership Teams, takes responsibility for providing overall leadership and setting the strategic direction and specifically, for ensuring that the Council meets its statutory obligations and exercises

sound corporate governance and effective resource management, and that the performance of the Council is managed effectively, including the delivery of key aspects of our change programmes.

Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all Overview and Scrutiny Committees are defined in the Constitution. <http://www.warwickshire.gov.uk/scrutiny> The Audit and Standards Committee has oversight of internal and external audit matters, the Council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity. In line with good practice, the Committee is chaired by an independent member and the Council has appointed a second independent member to sit on the Committee.

All reports that go to Members through a formal Committee, or for Leader / Deputy Leader / Portfolio Holder decisions, are considered by legal and finance colleagues who sign-off as the final stage before being released by Democratic Services.

The Internal Audit Manager is designated as the Head of Internal Audit. There is an Internal Audit Board, and the internal audit service is subject to Public Sector Internal Audit Standards (PSIAS) external quality assessments. Sufficient audits have been conducted to provide an annual audit opinion for the year.

The Council has been subject to two Ofsted inspections in the year:

Warwickshire Adult and Community Learning Service was subject to a Short Inspection in October 2022 and the outcome is '*Warwickshire County Council continues to be a Good provider*'. Ofsted set out two improvement areas:

i. that all learners benefit from high-quality impartial careers advice and guidance; and ii. the timeliness of the information received on the progression and destinations of learners to determine effectiveness of the curriculum.

Warwickshire County Council Children's Services arrangements for care-experienced young people was subject to a Focused Visit in March 2023 with the report published in May 2023. Since the last inspection in November 2021, when Children's Services were judged to be good overall, there has continued to be an effective focus on improving services for care-experienced young people by senior leaders, elected members, and partner agencies. Two improvement areas were noted: i. timeliness with which personal advisers are allocated; and ii. the effectiveness of management oversight of work with young people in custody and those living in unsuitable accommodation.

4 Review of effectiveness and improvements to governance arrangements

We have approved and adopted a **Code of Corporate Governance**, which sets out the principles of the *CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016)*

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers who have responsibility for the development and maintenance of the governance environment and by the Head of Internal Audit's annual report.

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from Legal, Finance and each Directorate (Resources, Communities and People) and Internal Audit. In carrying out its review, the evaluation panel:

- considered the approach of the Council to establishing its principal statutory obligations and organisational objectives;
- considered the approach of the Council to identifying principal risks to the achievement of those obligations and objectives;
- identified the key control frameworks that the Council has in place to manage its principal risks;
- obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspections;
- reviewed progress against the Governance Action Plan (Appendix 1); and
- evaluated the assurances provided and identified any gaps.

In addition, Assistant Directors (AD) have confirmed that they have complied with the risk management framework throughout the year and each AD has provided an assurance statement at year end.

Consideration was also given to the results of reviews carried out by external regulators and agencies during the year including the external audit of the accounts. The work of the evaluation panel was scrutinised by the Assistant Director Governance and Policy (Monitoring Officer), the Assistant Director Finance (Deputy Section 151 Officer), Strategic Director for Resources (Section 151 Officer) and Strategic Director for People before being submitted to the Audit and Standards Committee in May 2023 for further scrutiny.

The results of Internal Audit work were reported to the Audit and Standards Committee throughout the year. The individual reviews feed into the overall Internal Audit Annual Report. This report concludes that the Council's control environment provides [*the annual assurance opinion will be inserted into the final version of this statement when available*] assurance that the significant risks facing the Authority are addressed. The Audit and Standards Committee also considers in greater detail areas where limited assurance opinions have been provided. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

The Governance Improvement Action Plan (Appendix 1) presents, on an exception basis, additional actions that are already planned or being considered to inform future Council planning and strengthen governance. The process of review has also captured other governance improvements in each of the principles above.

5 Governance issues and challenges

We have not experienced any significant governance failures during the last year and our arrangements remain fit for purpose in accordance with the governance framework. A primary purpose of the governance framework is to manage strategic risks proactively and to ensure that risks that cannot be tolerated are appropriately mitigated.

Warwickshire County Council has three strategic priorities to make Warwickshire the best it can be, sustainable now and for future generations. The most significant strategic risks that have existed during 2022/23 are presented against the three strategic priorities along with highlights of the action that is being taken to help reduce risk levels. It is worth noting that a number of global issues, including inflationary pressures and the war in Ukraine, continue to influence the Council's view of risk.

The Council Plan 2022-2027 has been in place throughout the year along with the Integrated Delivery Plan, which sets out the ambitions and priorities of the Council and how those will be achieved. Monitoring of the delivery takes place on a consistent and quarterly basis and reports are prepared and presented to the respective leadership team, Corporate Board and relevant committees. Furthermore, towards the end of 2022/23 the Council has implemented a quarterly stocktake process to consider any the Council's delivery across its portfolio, its performance and any emerging issues, risks or cross-cutting themes.

Strategic Risk Ref.	Strategic Risk Description	Activity
Strategic Priority 1, A county with a thriving economy and places with the right jobs, skills, and infrastructure (Economy & Places)		
1	Risk of a slow or stalling economic growth	Through the delivery of plans, the Council continues to support the economy of Warwickshire. Building on the pandemic recovery work, the business support programme continues to assist in addressing specific barriers to business growth and this includes support for tech-based and other innovation-led businesses, pre and new business starts. Businesses are being supported to access loan funding via the Warwickshire Recovery & Investment Fund to facilitate growth. Tourism is a key focus, and a Draft Sector Growth Plan has been developed for consultation with partners.
5	Risk of Post Pandemic widening of social, health and economic inequalities and	The Council has developed, commissioned and/or is delivering a range of skills-based programmes and initiatives to help maintain and build the talents of Warwickshire's population. Engagement with local businesses, partners and stakeholders has taken place to refresh the Council's Careers Strategy to help address the post pandemic recruitment challenges. Work has taken place to understand demographics, via the State of Warwickshire Report, and also the future skills needs, to assist in planning for and to ensure

Strategic Risk Ref.	Strategic Risk Description	Activity
	inability to catch up, resulting in worsening outcomes for our communities	sustainable employment. Activity includes offering the Warwickshire Apprenticeship Support Programme to the County's employers and the sharing of Apprenticeship Levy funding to increase take up and achievement. For the first time since the programme launched in 2018, the Small Business Apprenticeship Levy has utilised all available funding. Exploration of wider sharing is taking place. Introduction of the Apprenticeship Progression Programme has supported employers to progress their apprentices, increasing retention rates.
14	Risk of continued uncertainty about key external influences on local government and factors such as Government policies and economic outlook that inform longer term plans.	<p>The Council, its officers and members, are engaged in a wider range of national networks. These are based in professional and service boundaries for example Directors of Environment, Economy, Planning & Transport (ADEPT) and Association of Directors of Adult Social Care (ADASS). Engagement takes place with more general bodies such as the Local Government Association, County Council Network and Society of County Treasurers who will also have their own thematic groups. These relationships are managed by senior officers and Elected Members, with key messages being shared with Cabinet and Corporate Board as required.</p> <p>The Council's Corporate Policy Team also undertakes a regular external policy and foresight scan with regular updates and a fortnightly 'Policy Bites' newsletter. The foresight work also informs the newly established quarterly stocktake exercise for Corporate Board.</p>
17	Risk of sustained inflationary pressures and cost of living increases	<p>The Council has had to make difficult decisions and choices in developing its financial proposals and will continue to operate with a rolling five-year Medium Term Financial Strategy and this demonstrates that Council finances are allocated in accordance with the priorities of the organisation. The underpinning finances remain robust and service delivery is sustainable for the benefit of the residents and businesses of Warwickshire. We do, however, acknowledge that we are operating in an environment of increased uncertainty as the demand for services increases and inflationary pressures mount.</p> <p>The Council has not taken decisions to address the short-term challenges that undermine financial sustainability over the medium-term or leave financial 'gaps' to be closed in future years. Instead, the Council has acknowledged that plans, whilst remaining robust and ambitious also need to be flexible to handle the most plausible scenarios, whilst recognising it is impossible to guarantee this in such a complex and volatile environment. An example of this includes where cost confidence in education capital schemes is low appropriate contingency figures are included in the cost estimates to account for this. Inclusion of contingency</p>

Strategic Risk Ref.	Strategic Risk Description	Activity
		<p>figures are expected to mitigate most cost increases experienced as projects progress and costs become more certain. An internal process is currently being devised to strengthen governance regarding contingency funding to ensure appropriate use. This will include enhanced officer oversight and scrutiny of requests to utilise project contingency funding. Associated Council reporting has taken place.</p>
<p>Strategic Priority 2, A place where people can live their best lives, where communities and individuals are supported to live safely, healthily, happily, and independently (People & Communities)</p>		
13	<p>Risk of insufficient resources to match the increasing demand for SEND provision and support and to deliver the post Ofsted Written Statement of Action.</p>	<p>The Council has made a commitment to deliver its Special Educational Needs and Disabilities Inclusion Change Programme and Written Statement of Action to address the recommendations of the Ofsted and Care Quality Commission inspection. Public consultation has taken place along with the use of online surveys and face to face events to raise public awareness and seek views. A review of the SEND information held online is also being considered to ensure it is accurate and fit for use. School employees are being offered free training and take up has been strong leading to training materials now being uploaded to the schools hub web page for ease of access. Whilst the Council is taking steps to manage the risk, work continues to meet our targets and reduce risk levels.</p>
<p>Strategic Priority 3, A place with sustainable futures, which means adapting to and mitigating climate change and meeting net zero commitments (Sustainability)</p>		
18	<p>Risk of not achieving net zero by 2050, biodiversity and climate adaptation targets.</p>	<p>A draft Sustainable Futures Strategy and Action Plan was endorsed by Cabinet in October 2022. That endorsement included proceeding with extensive public engagement carried out between November 2022 and February 2023 to inform further development of the plan. The plan is designed around six themes of climate change action. For each theme there is a carbon reduction trajectory to achieve net zero targets, an analysis of carbon emissions, action already taken to reduce those emissions and future actions needed. Over the summer of 2023, the Strategy and Action Plan will undergo further engagement and review of future actions in partnership with other sectors and stakeholders before final versions are presented to Cabinet for approval in the autumn of 2023.</p>

Risks identified by the Independent Inquiry into Child Sexual Abuse

The *Independent Inquiry into Child Sexual Abuse (IICSA)* published its final Report in October 2022. The report makes a number of powerful recommendations, based on separate investigations. We note the full findings and will not be complacent in our work and our awareness raising. We continue to work with partner agencies to embed the recommendations to continually improve our practices. Our ongoing campaign "Something's not Right" continues to highlight awareness and support, together with new interactive theatre programmes in education settings, to prevent and protect children and young people.

Recruitment and Retention

As with many organisations, we continue to experience some challenges in recruitment and retention, particularly in light of the volatile global and national landscape. Through the Our People Strategy, we continue to develop ways to address this, and throughout 2022/2023, we saw a stabilisation of our turnover rates, with an overall minimal decrease at year end bringing us below 13% and within target of 15%. We also saw a marginal upturn on our engagement rates, essentially maintaining already very high scores.

We continue to review our approaches to ensure that we are able to recruit and retain the best talent.

In-Year Schools Admissions

Over the summer of 2022, there were problems with the in-year schools admissions process, which created challenges for pupils, parents, carers and schools at the start of the September term, which were quickly addressed. A review was commissioned by the Chief Executive to understand the causes of these issues. The review report was presented to Resources and Fire Overview and Scrutiny Committee in February, and its recommendations have informed an ongoing improvement programme.

6 Certification

We will continue to manage the risks detailed above and further enhance our governance arrangements over the coming year as set out in the Governance Action Plan at Appendix 1. We are satisfied that the risks we have identified are addressed in our Council Plan, Integrated Delivery Plan, Medium Term Financial Strategy and other key strategies. We are satisfied that the actions identified will address the improvements that were highlighted in our review of effectiveness. These are monitored and reported to Members and Corporate Board as part of the corporate performance management framework. We will monitor their implementation and operation as part of our next annual review.



Councillor Izzi Seccombe OBE
Leader of the Council



Monica Fogarty
Chief Executive/Head of Paid Service

Appendix 1 – Governance Improvement Action Plans

Table 1: Governance Improvement Actions 2022/23	Action Owner	By when?	Review of Activity
<p>HMICFRS Action Plan – the actions from the Action Plan have been transferred into delivery and team plans following (His Majesty's Inspectorate of Constabulary and Fire & Rescue Services) HMICFRS inspection. A new WFRS Delivery Plan 2022-24 has been developed and will be used to monitor progress against the HMICFRS causes of concern to ensure that agreed actions are implemented.</p>	Chief Fire Officer	March 2023	Warwickshire Fire and Rescue Service has responded positively to the HMICFRS Inspection findings. An action plan was produced, and significant progress has been made in delivering improvements. The Prevention Cause of Concern has been discharged by HMICFRS. HMICFRS have also made comment that progress is being made across the areas for improvement. A follow up HMICFRS inspection commenced in Spring 2023, and Corporate Board is being updated on the progress.
<p>Joint local area SEND inspection in Warwickshire - Her Majesty's Chief Inspector of Schools determined that a Written Statement of Action was required because of certain significant areas of weakness identified. Her Majesty's Chief Inspector also determined that the local authority and the area's Clinical Commissioning Group were responsible for submitting the Written Statement to Ofsted. Our response was submitted on 24th December 2021 on behalf of the Strategic Director (People).</p>	Strategic Director People	December 2022	The Council has made a commitment to deliver its Special Educational Needs and Disabilities Inclusion Change Programme and Written Statement of Action to address the recommendations of the Ofsted and Care Quality Commission inspection. Activity is ongoing into 2023/24 to take forward actions.
<p>Review of the Code of Corporate Governance against the new Council Plan</p>	<p>Strategy and Commissioning Manager Legal and Democratic Services /</p> <p>Assistant Director Governance and Policy</p>	December 2022	We continue to keep our Code of Governance under review as against the Council Plan and Integrated Delivery Plan to ensure that the approaches reflect the needs of the updated projects and activities within the Plan. This is an iterative process as the actions and requirements of the Plans evolve.

Table 1: Governance Improvement Actions 2022/23	Action Owner	By when?	Review of Activity
Undertake a governance health check using the Centre for Governance & Scrutiny Governance, Risk and Resilience Framework (the Framework).	Strategy and Commissioning Manager Legal and Democratic Services Team Lead Senior Solicitor	December 2022	This work was completed throughout autumn and winter 2022, including delivery of a series of workshops utilising the Framework published by the Centre for Governance and Scrutiny (CfGS). The results have been reported to Corporate Board in February 2023 and actions are being implemented.
Undertake a review of our officer delegations to ensure they are up to date following organisational changes	Strategy and Commissioning Manager Legal and Democratic Services	December 2022	Delegations have been reviewed and have been approved by Council in September 2022. We continue to keep constitutional governance arrangements, including delegations, under review and will recommend amendments where necessary.
Undertake a wide-ranging commissioning / governance review to refine our Target Operating Model. This will include a review of the governance of projects and programmes to align it with commissioning activity, and will include additional reviews, led by Governance and Policy for organisational-level governance, and Finance for monitoring of capital programmes. In line with the Council's new Delivery and Performance Plans, the review will continue throughout 2022/23 and will provide recommendations on governance to Corporate Board in Q2.	Assistant Director Enabling Services Assistant Director Governance and Policy Assistant Director Finance (Deputy Section 151 Officer)	September 2022	<p>The Capital Financial Management Project has undertaken a comprehensive review of how capital projects are managed in Warwickshire. Several changes designed to provide greater rigour to the capital process improved ownership and increased visibility were identified for implementation.</p> <p>We have refreshed our governance arrangements supporting our Target Operating Model which puts the Council's Strategic Objectives at the core of all we deliver, approved by Corporate Board. As part of this we have created a new governance forum, the Capital Strategy Group, which has responsibility for ensuring this new model is embedded across the organisation.</p> <p>The project will deliver a revamped capital training offer and will relaunch the Intranet pages with updated information and easy to access guides.</p> <p>We have also as part of the refresh introduced a quarterly stocktake process for Corporate Board to consider wider</p>

Table 1: Governance Improvement Actions 2022/23	Action Owner	By when?	Review of Activity
			<p>strategic issues, including emerging national issues and policy developments.</p> <p>We have completed the governance health check (referred to above) using the Centre for Governance & Scrutiny Governance, Risk and Resilience Framework</p>
<p>Develop an action plan to address issues arising from the Local Government Corporate Peer Challenge which took place in March 2022. The report will be published in June 2022.</p>	<p>Assistant Director Governance and Policy</p>	<p>March 2023</p>	<p>The outcome of the peer review, including emerging themes for inclusion in the action plan, was considered by Cabinet in June 2022. An action plan was subsequently developed with progress against the action plan being presented to the peer assessors on their revisit in November 2022.</p>
<p>Producing, with public sector, business and voluntary sector partners and Government, a costed plan and trajectory for the County to be net zero no later than 2050, that is clear with Government about resources and support necessary to deliver national and local aspirations on net zero.</p>	<p>Assistant Director Commissioning Support Unit</p>	<p>September 2022</p>	<p>A draft strategy with a trajectory for carbon emission reductions to be net zero across Warwickshire was agreed at Cabinet in October 2022. A large scale engagement campaign has been conducted with a range of stakeholders and further targeted sessions will follow through the period to August 2023 to facilitate co-creation of the strategy and action plan. The final strategy and action plan for Warwickshire are expected to go to Cabinet in Autumn 2023.</p>

Table 2: Governance Improvement Actions for 2023/24	Action Owner	By when?
Governance Team (Legal Services), to collaboratively work with colleagues across the Council to consider and implement actions, endorsed by Corporate Board, arising from the governance stocktake against the Framework.	Assistant Director Governance and Policy	January/ March 2024
The Pension Fund will respond to the Scheme Advisory Board's Good Governance Review and the Pension Regulator's Single Code of Practice as the requirements are issued.	Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)	March 2024
Targeted consideration of aspects of the Constitution and the Codes of Conduct is being undertaken and we anticipate recommendations will be presented to Council in the Autumn.	Strategy and Commissioning Manager Legal and Demographic Services	December 2023
Response to the new Procurement Regulations (expected January 2024) to be implemented across the Council including strengthening of procurement practice as appropriate.	Assistant Director Governance and Policy Assistant Director CSU Assistant Director Finance	March 2024
An improvement plan for School Admissions processes and practices is being produced by Education Services for delivery by April 2024.	Strategy and Commissioning Manager (Education & Early Years)	April 2024

Audit and Standards Committee

25 May 2023

Audit & Standards Committee - Annual Report 2022/23

Recommendation

That the Audit and Standards Committee note and comment on the report prior to submission to Council in July 2023.

1. Executive Summary

- 1.1 The annual report highlights some of the work undertaken by the Committee during 2022/2023 and looks ahead to issues that the Committee will examine moving forwards.

2. Financial Implications

- 2.1 None for this report.

3. Environmental Implications

- 3.1 None for this report.

4. Timescales associated with the decision and next steps

- 4.1 Subject to the report being approved by the Committee, the Annual Report will be submitted to Council for consideration on 25 July 2023.

Appendices

Appendix 1 – Annual Report of the Audit and Standards Committee 2022/2023.

Background Papers

None.

	Name	Contact Information
Report Author	Amy Bridgewater-Carnall	amybridgewater-carnall@warwickshire.gov.uk
Assistant Director	Sarah Duxbury Assistant Director Governance and Policy	sarahduxbury@warwickshire.gov.uk
Strategic Director	Rob Powell Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Customer & Transformation	Yousefdahmash@warwickshire.gov.uk

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

Local Member(s): none as county wide report

Other members: Councillors Butlin, Jenns, Dahmash, Roodhouse, Holland, Warwick, Tromans.

Audit and Standards Committee Annual Report 2022/2023

Warwickshire County Council's Audit and Standards Committee ('the Committee') plays a vital role overseeing the Council's governance framework to ensure that residents receive quality services and value for money.

It provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes. Meetings of the Committee are open to the public.

Meeting dates, minutes, agendas and reports can be found on the [Council's website](#). Meetings of the Committee are live-streamed; footage is available for a period of 12 months after each meeting and can be viewed on the website under individual meeting dates.

Who is on the Committee?

The membership of the Committee during the municipal year 2022/23 was:

John Bridgeman CBE	(Independent Member and Chair)
Councillor John Cooke	(Conservative)
Councillor Sarah Feeney	(Labour)
Councillor Bill Gifford	(Liberal Democrat)
Councillor Brian Hammersley	(Conservative)
Councillor Christopher Kettle	(Conservative)
Councillor Bhagwant Singh Pandher	(Conservative)
Robert Edwards Zara	(Independent Member)

The Chair of the Committee wishes to place on record his thanks to all the members, past and present, who have served on the Committee and have contributed to the important work it has undertaken.

The Committee was saddened to receive news of the passing of Councillor John Horner in May 2022. Councillor Horner had been a longstanding and highly respected member of the Committee. At its meeting on 19 May 2022, the Committee recognised the outstanding contribution made by Councillor Horner.

Following a reallocation of committee memberships at the start of the municipal year, the Chair welcomed two new members at the May 2022 meeting - Councillor John Cooke and Councillor Bhagwant Singh Pandher.

The Internal Audit Manager, Chief Finance Officer, and the Monitoring Officer attend Committee meetings to provide information and ongoing assurance in relation to the Council's internal controls and systems. Representatives from Grant Thornton, the Council's external auditors, also attend meetings to report on the Council's financial

statements and value for money arrangements. At present, the Council's Grant Thornton LLP key audit partner is Avtar Sohal.

What did the Committee do over the last year?

The Committee met five times during the 2022/23 municipal year, including a specially arranged meeting in January 2023 to review the financial statements for the County Council and the Warwickshire Pension Fund and recommend their approval to full Council.

During the year, alongside the regular external and internal audit monitoring reports, the Committee was able to consider the Council's wider governance arrangements and the impact of emerging national issues, including the impact of rising inflation, cost-of-living pressures, and the wider economic position and fiscal policy on governance. A detailed overview of significant issues has been set out later in this report.

The Committee was pleased to support the Annual Governance Statement 2022/23, and the Statement of Accounts for both the Council and the Warwickshire Pension Fund, based on its knowledge and experience of how the assurance systems had operated in practice.

External Audit

The Committee receives updates at every meeting from Grant Thornton, who are the external auditors for both the Council and the Warwickshire Pension Fund.

Members also had the opportunity to consider emerging national developments brought to their attention by the external auditors. This provides an additional means for the Committee to keep abreast of changes affecting local government audit and governance practices, including:

- The proposal by the Department for Levelling Up, Housing and Communities (DLUHC) to establish a new local audit regulator, the 'Audit Reporting and Governance Authority' (ARGA). Plans for the new regulator have been developed in response to the findings of the Redmond Review which reported to DLUHC in September 2020.
- Publication by the Chartered Institute of Public Finance and Accountability (CIPFA) of the 'Internal Audit: Untapped Potential' research report, examining the impact of internal audit within public service organisations, how it could do more, and what is holding it back.

The September meeting of the Committee was cancelled due to a lack of business, as the date was originally set to meet the deadline for the publication of the annual accounts. Due to the COVID-19 pandemic and the lack of capacity in the public sector audit market this statutory deadline was moved to the end of November temporarily. The lack of public sector audit capacity combined with the backlog of audits still outstanding from previous financial years is an issue being experienced

by Grant Thornton and Members were kept informed as to how this was impacting on their responsibilities to the Council.

At the November meeting, the Committee was advised that Grant Thornton were not in a position to complete the audit by 30 November 2022. The delay was as a result of a national technical accounting valuation issue relating to how spend in previous years on infrastructure assets, such as roads, should be treated when subsequent maintenance activity was undertaken and how this should be reported within the accounts. At the time the Government was in the process of developing a statutory instrument which would resolve these audit challenges through a statutory override. It was noted that the override was expected to be issued by the end of the month and come into force on 25 December 2022. (The statutory override was subsequently issued as expected, coming into force on 25 December 2022 for four years, pending a permanent solution being identified). The Committee also considered the wording of the resulting "Delayed Opinion Notice" that would be put on the Council's website to explain the delay.

In January 2023, the external auditors advised that the audit was substantially complete and the value for money work completed with no significant weaknesses identified. At that time, there was one outstanding matter relating to the valuation of schools' assets, but it was hoped to have this resolved before the matter was considered at Council in February 2023. In addition, there was one outstanding objection to 2017/18 accounts reported; the Committee underlined the importance of seeking a prompt resolution to this issue. The Committee was assured by the external auditors that whilst they understood the concerns expressed by the Committee and they were also keen to see the matter resolved, it was not material to the Council's accounts and would not delay the issue of the audit opinion on the 2021/22 accounts.

The Committee was pleased to note that Grant Thornton had provided unqualified opinions for both the Council and Warwickshire Pension Fund accounts, including a positive value for money conclusion. Grant Thornton advised that it was satisfied that the Council had made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, with ratings of 'green' for financial sustainability and governance and 'amber' for improving economy, efficiency and effectiveness with a positive direction of travel.

The External Auditor noted that 2021/22 had proved to be a highly unusual year for local government finances due to the continued strain of the COVID-19 Pandemic and rising cost pressures stemming from increased inflation. As a result, the 2021/22 period had ended with greater uncertainty around the financial sustainability of the sector. Despite these challenges, Grant Thornton concluded that the Council had maintained a strong financial position throughout 2021/22 and had planned well over the medium term. However, it was noted that the ability to make savings and balance planned expenditure against available funding would be vital to enable the Council to maintain financial sustainability in the face of financial pressures over the medium term.

The Committee was pleased to learn that it was judged that the Council had maintained effective governance arrangements during 2021/22. Grant Thornton

reported positive developments in this area which included the Independent Review of Overview and Scrutiny. Overall, it was concluded that the Authority had enacted good procedures around risk monitoring, budget setting, scrutiny, and governance arrangements.

Internal Audit

A professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The Council's Internal Audit Team carries out reviews of the Council's services throughout the year, identifying where there are issues and making recommendations. The Internal Audit Team operates in accordance with CIPFA guidance and the Public Sector Internal Audit Standards.

The outcomes of internal audits are reported to the Committee. On occasions these are considered by the Committee in closed session owing to the commercial or personal sensitivity of the matter being addressed.

During 2022/23, Internal Audit carried out a series of service and process reviews with a focus on specific areas, including:

- Pensions Administration
- Public Health
- Complaints
- The Community Supermarket
- Warwickshire Fire and Rescue Service Improvement Plan
- Risk Management
- IT Integration and Strategy Review (2021/22)
- Cloud Computing
- Information Governance

The Committee has followed progress against recommendations where issues were identified by audit outcomes. It has raised queries and conducted oversight when necessary.

Oversight of Governance Arrangements

Part of the Committee's remit is to monitor and review the governance arrangements of the Council, ensuring that robust systems of internal control are in place.

As part of this work, the Committee receive an Annual Governance Report which highlights the arrangements currently in place to enable the Committee to carry out its assurance role and explains the various systems and processes the Council use to ensure legal and regulatory compliance. This was considered in November 2022. Key details in the report included some of the external inspections and reviews that had taken place, including the Local Government Association Peer Challenge from March 2022 and the progress on the actions recommended, following that visit. A number of internal processes were reported on and discussed, including declarations

of interest and the register of gifts and hospitality for staff and elected members, as well as Code of Conduct Complaints. Members noted the positive Ofsted inspection results and the feedback from the Local Government and Social Care Ombudsman annual review letter.

In March this year the Committee considered a report relating to the CIPFA Financial Management Code – WCC Self Assessment 2022/23. Robust discussions were held relating to the Authority's compliance with the standards set out in the Code, which provided assurance that the Council was making appropriate financial decisions and providing value for money with appropriate checks and balances being carried out to make good decisions and manage risk.

Review of Overview and Scrutiny

Prior to the 2022/23 municipal year, an independent review had been commissioned to consider Warwickshire County Council's approach to scrutiny and to consider potential opportunities for enhancements in 2022. The Committee received a report back in March 2022 outlining the progress made in implementing the review, including measures of success.

The report provided the current position and commentary on each of the activities proposed. It was noted that the Annual Report on Overview & Scrutiny would be submitted to Council in May 2023.

Members had an open discussion about how scrutiny operated at the County Council and, in general, it was felt that the process was positive and robust, underpinning the values and culture of the authority. Members also felt it would be useful for a member of the Audit and Standards Committee to attend the workshop in May 2023, which would look at finessing the principles outlined in the report.

Impact of Grenfell

This item had been added to the work programme some time ago and at the November 2023 meeting it was agreed that a briefing update could be circulated informally. This would give members the opportunity to decide if a formal agenda item was necessary, whilst noting that the Grenfell Inquiry was ongoing with the 46 original recommendations being managed by key senior managers at Warwickshire Fire and Rescue Service (WFRS). The briefing note was circulated in December 2022 and advised that WFRS had undertaken gap analysis, developed a work programme and established a working group to oversee the work that had been rolled out over the past few years. The note also provided an update on the work undertaken with Warwick District Council in relation to major fire safety and refurbishment works to the seven high rise residential buildings in the District.

This was further discussed at the January 2023 meeting and the committee was satisfied with the information supplied whilst noting that there was still work to be undertaken.

Looking Ahead

The Committee's membership for the coming year Has been completed following Annual Council on 16 May 2023:

John Bridgeman CBE	Independent Member and Chair
Cllr John Cooke	Conservative
Cllr Brian Hammersley	Conservative
Cllr Ian Shenton	Conservative
Cllr Bhagwant Singh Pander	Conservative
Cllr Sarah Feeney	Labour
Cllr Bill Gifford	Liberal Democrat
Robert Edwards Zara	Independent Member

The Committee will continue to receive updates from the external auditors and from the Council's Internal Audit Team in order to continue its support of good governance and strong financial management for the year ahead. The Committee will also review the financial statements of the Council and Warwickshire Pension Fund and the Annual Governance Statement for 2022/23, prior to their submission to full Council for approval.

In addition, Members of the Committee are encouraged to propose items for the work programme that they feel would merit further discussion. For example, at the January 2023 meeting Councillor Gifford raised a query regarding how the Council manages the increasing financial costs associated with SEND services and it was agreed that this could be scheduled to be reported to a future meeting.

Audit & Standards Committee – Work Programme 2023/2024

Item	Details	Lead Officer	Date of meeting
July 2023			
External Auditors Update Report	An update from the external auditors on progress to date on their work with WCC/WPF and on key issues within the sector as they impact on the work and role of the Committee	External Auditors – Grant Thornton	
Internal Audit Update		Paul Clarke	July 2023
Annual External Audit Plan (WCC & WPF)		External Auditors – Grant Thornton	July 2023
September 2023			
External Auditors Update Report	An update from the external auditors on progress to date on their work with WCC/WPF and on key issues within the sector as they impact on the work and role of the Committee	External Auditors – Grant Thornton	
November 2023			
2022/23 Audit Findings Report (WCC & WPF)	Report from the external auditors of their findings from the audit of the 2022/23 accounts	External Auditors – Grant Thornton	
2022/23 Draft Statement of Accounts (WCC & WPF)		WCC – Virginia Rennie WPF – Chris Norton	
2022/23 Annual Governance Statement			

Audit & Standards Committee – Work Programme 2023/2024

2022/23 Draft Annual Audit Letter	Annual audit letter which summarises all the work and findings in relation to 2022/23 including their value for money report on the Council. This report goes on to full Council	External Auditors – Grant Thornton	
Internal Audit Update		Paul Clarke	November 2023
March 2024			
2023/24 CIPFA Financial Management Code of Practice	Annual self-assessment of the Council's performance against the CIPFA Financial Management Code, including delivery of the improvement activity identified as part of the 2022/23 assessment	Virginia Rennie/Andy Felton	
External Auditors Update Report	An update from the external auditors on progress to date on their work with WCC/WPF and on key issues within the sector as they impact on the work and role of the Committee	External Auditors – Grant Thornton	
External Auditors Annual Audit Report 2022/23 – WCC management response and action plan	Report on the management response to any recommendations in either the annual audit letter or the audit findings report. If required this report could be for WCC or WPF depending on the recommendations made	WCC – Virginia Rennie/Andy Felton WPF – Chris Norton/Andy Felton	
Internal Audit Update		Paul Clarke	March 2024
Internal Audit Strategy and Plan 2024/25		Paul Clarke	March 2024

Audit & Standards Committee – Work Programme 2023/2024

To Be Confirmed			
SEND services – short paper on the financial implications and need to deliver service.		Nigel Minns / Johnny Kyriacou	TBC – post March

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