Audit and Standards Committee

Date: Thursday 14 March 2024
Time: 10.00 am
Venue: Committee Room 2, Shire Hall

Membership

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

Items on the agenda: -

7.	**Internal Audit Plan 2024/25**	217 - 250
8.	**Work Programme and Future Meeting Dates**	251 - 252

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:

- 23 May 2024
- 18 July 2024
- 19 September 2024
- 28 November 2024
- 20 March 2025

All meetings to commence at 10.00am unless otherwise specified

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.	**Exempt Minutes of the previous meeting**	253 - 260

To receive the exempt minutes of the meeting held on 30 November 2023.

12.	**Internal Audit Update Report**	261 – 270

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclosures of Pecuniary and Non-Pecuniary Interests
Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. Any changes to matters registered or new matters that require to be registered must be notified to the Monitoring Officer as soon as practicable after they arise.

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

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Audit and Standards Committee

Thursday 30 November 2023

Minutes

Attendance

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

Officers
Virginia Rennie, Head of Strategic Finance
Ross Caws, Head of SEND & Inclusion (Education Services)
Sarah Duxbury, Director of Strategy, Planning and Governance
Andrew Felton, Director of Finance
Chris Norton, Head of Investments, Audit and Risk
Rob Powell, Executive Director for Resources
Paul Clarke, Internal Audit Manager
Jan Cumming, Senior Solicitor and Team Leader
Andy Carswell, Democratic Services Officer

Others Present

Avtar Sohal (Grant Thornton)

1. General

The Chair welcomed everyone to the meeting. He told members this would be Andy Felton's last meeting before he left Warwickshire County Council for a new role. He said members would be sorry to see him go, and thanked him for all he had contributed to the Committee.

(1) Apologies

There were none.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

Councillor Sarah Feeney declared an interest in Item 9, as her son had an Education Health and Care Plan.

(3) Minutes of the previous meeting

The minutes of the meeting held on 20 July 2023 were approved as an accurate record.

Arising from the minutes, the Chair asked if the closure certificate for the 2018/19 accounts had been completed. Avtar Sohal (Grant Thornton) said the auditor responsible had said it would be completed by Christmas, and there was pressure on him to have this done. The Chair said Committee members were concerned this had still not been completed, and suggested consideration of a formal letter regarding the failure to complete the closure certificate be sent to Grant Thornton. This was agreed by members.

2. Warwickshire County Council 2022/23 Audit Findings Report

It was noted that an incorrect date had been included on page 13 of the report, and it should read 19 December 2023. The Chair stated there were some typographic errors that would need correcting before the final letter was signed, and the signatories would have the opportunity to make any amendments to the draft if they wished. Avtar Sohal asked if he could be informed of any changes that were made to the final draft.

Avtar Sohal said good progress was being made and there were only a few items that were still outstanding. Discussions were ongoing regarding pension assets, although it was anticipated this could be resolved shortly. However there were no significant material issues arising from those discussions. A final review by a member of the technical team would still need to be undertaken; again, it was not anticipated there would be material changes.

Three significant risks had been identified. These related to override of control, specifically control of authorisation of journals; valuation of land and buildings; and valuation of pension fund liabilities. Avtar Sohal stated his belief there was no evidence of potential material issues arising from the risks that had been identified, but said the Council ought to be wary of them. Andy Felton said the pension fund had moved from an £800million liability to a £40million asset.

The Chair noted a number of local authorities had recently been subject to Section 114 notices, and asked what an auditor would look for in the accounts to show Warwickshire County Council was not at risk from being given such a notice. Avtar Sohal said the Council would have to provide evidence to show it had appropriate arrangements in place. The answers that had been provided by the Council had provided reassurance that appropriate processes and governance structures were in place.

Responding to a question from Councillor Bill Gifford regarding borrowing rates, Avtar Sohal said there were restrictions depending on what the borrowed money was to be used for, and there needed to be arrangements in place to monitor its use. He said he had no concerns over the Council's levels of borrowing, and it had been demonstrated the money was being used appropriately. Chris Norton (Head of Investments, Audit and Risk) said strategies relating to borrowing needed to be agreed by Full Council and/or Cabinet, and these outlined specific parameters the Council needed to abide by. For example borrowed funds would not be put into overseas emerging markets as there was a higher risk associated with them.

Responding to a question from Councillor Bill Gifford in relation to recruitment issues, Avtar Sohal said this was a sector-wide problem as some positions were specialised. Chris Norton said new officers would then need to be in role for a year to understand the annual process of generating accounts. Promoting continuity was seen as important. Rob Powell (Executive Director, Resources) said most of the vacancies within the pensions team had been filled, but it was harder to recruit to some of the more specialised roles. There had been a big focus on strategic workforce planning across the Council and within the Finance Service to address this. Staff survey results had showed there were no issues associated with team morale or leadership within the pensions team.

Members said the issues identified within the report were relatively insignificant and, although important to raise, did not pose any major risks. The Chair noted the delay in publication of account certificates had knock-on effects on future years, and reiterated his earlier point about raising this formally with the external auditors.

Members noted the Audit Findings Report of the External Auditors for Warwickshire County Council. There were no matters that members wished to bring to the attention of Full Council. Members also approved the wording of the Letter of Representation, subject to some typographical errors being amended.

3. Warwickshire County Council Statement of Accounts 2022/23

The Chair invited questions or comments from members on the statement of accounts. Councillor John Cooke said the use of infographics in the report had been very useful, and said members of the public were likely to appreciate them too.

Responding to a question from Councillor Bill Gifford regarding the reduction in reserves, Andy Felton said this was a natural reduction through the Medium Financial Strategy due to new investments. It was also confirmed the end date in the report should read 31 March 2023, not 2022.

Members noted the opening of Cherry Tree House, a new home for children in care. It was confirmed publicity on this had been released.

It was resolved that the Committee recommend the Statement of Accounts to Council for approval, and noted that the Executive Director of Resources would make any amendments required when the final Audit Findings Report was received, prior to their approval by Council.

4.Pension Fund - Audit Findings Report

Avtar Sohal said the review of the Pension Fund audit had been completed. A few minor amendments had been suggested, although they did not change the overall tone. There were some outstanding issues, although assurance letters were able to be produced. It was confirmed the Pension Fund accounts would be signed by the same Council representatives who sign the Council's accounts.

Avtar Sohal said in response to a question from Councillor Sarah Feeney that the work of the auditor would be unlikely to significantly change as a result of the LGPS's aim of having up to ten per cent of a fund allocated to private equity. Andy Felton said it was the job of the pension fund to agree an appropriate level of asset allocation. There had been a consultation on the ten per cent rate, but the outcome of this was advisory. This would be considered under the investment strategy, and the chosen figure would need to be justified by the Pension Fund Investment Sub Committee. It was accepted that investing in private equities generally carried a higher level of risk, but the pension fund already invests in private equity to meet specific objectives.

Councillor Ian Shenton noted the funding rate was 134 per cent in December 2022, an increase from the previous figure of 92 per cent from the 2019 valuation. He stated his belief the pension fund was in a strong position.

Responding to a question from Robert Zara, Chris Norton said the valuation of future liabilities had been calculated using some assumptions. He said the estimated value of liabilities had dropped significantly recently due to a higher discount rate being used to value them, and this was the main reason why the funding level was high. It was important for employer contributions to the pension fund to remain stable. Responding to a question from Councillor John Cooke, Chris Norton said assumptions would vary between local authorities. There is a Government Actuaries Department GAD13 report that attempts to apply uniform assumptions to pension fund valuations for the purpose of comparison.

Members noted life expectancy among the population was increasing, and it was unclear how this would impact the position of the pension fund.

The Chair said the report was encouraging and thanked officers for their work.

Members endorsed the Audit Findings Report for the Warwickshire Pension Fund and approved the wording of the Letter of Representation.

5. Pension Fund - Audit Findings Report

This had been covered during the discussions on the previous item.

6. Annual Governance Report

The item was introduced by Sarah Duxbury (Director of Strategy, Planning and Governance). She reminded members there was no statutory requirement for an annual governance report to be produced, but it was considered good practice to demonstrate the processes in place and provide assurances on governance matters. She drew members' attention to the fact the staff gifts and hospitality and whistleblowing policies had both been revised during the year, and made reference to the external inspections that had been undertaken. The staff code of conduct and modern slavery and human trafficking statements had also been updated, and the Constitution had been amended to reflect legislative changes. Proposed amendments to the health and safety framework were due to be completed by the end of December, following consideration by Corporate Board.

Responding to a question from the Chair regarding learning lessons from other authorities that had been subject to Section 114 orders, Sarah Duxbury said officers reviewed as many publications as possible and shared their outcomes to ensure the Council was aware of, and learning from, such cases. Warwickshire County Council was also part of various local government networks, such as a Monitoring Officer Forum, where examples of good governance and financial practice were shared.

Responding to a question from Councillor Bill Gifford about the Procurement Act and any changes required to the Constitution, Sarah Duxbury said this was likely to be considered by members in the July 2024 cycle of meetings. This would likely involve amendments to Contract Standing Orders, which would be considered by the Audit and Standards Committee before going on to Full Council for formal approval.

Responding to a question from the Chair, Sarah Duxbury said that, wherever possible, the Council's approach was to resolve member complaints informally at the earliest possible stage.

Members noted the contents of the report.

7. Annual Governance Statement 2022/23

Chris Norton advised the Statement had been considered by external auditors and no amendments deemed necessary. It had also been subject to a period of public consultation, but no comments had been received.

Members agreed to endorse the Final Annual Governance Statement for 2022/23 and recommended its approval by full Council, and subsequent inclusion in the Council's 2022/23 Annual Report and Accounts.

8. Warwickshire County Council 2022/23 Annual Audit Letter

Avtar Sohal said auditors had considered financial sustainability and value for money in terms of improving economy, efficiency and effectiveness. There had been no significant weaknesses identified in any of the criteria, with financial sustainability and governance being given a green rating. An amber rating had been given to improving economy, efficiency and effectiveness and three improvement recommendations had been made. These related to outstanding improvements from a CQC inspection relating to local area arrangements for SEND, and the outcome of a September 2023 inspection of Warwickshire Fire and Rescue Service from HMICFRS. Avtar Sohal said Warwickshire's report compared very favourably with other local authorities, and officers should feel proud of the arrangements they had put in place. Some councils had a number of red ratings which indicated significant issues with future financial sustainability; Warwickshire had some amber ratings, although this was not seen as a significant weakness.

The Chair said people should be greatly encouraged by the contents of the letter and thanked everyone who had been involved in its production. Rob Powell said he was confident in how well-run the Council was from a financial perspective.

9. SEND Funding

The item was introduced by Ross Caws (Head of SEND and Inclusion). He said there had been an increase in the number of children requiring SEND provision, and the complexity of their needs had also increased. The number of children with an Education Health and Care Plan (EHCP) had risen to 5,800. Ross Caws explained that an EHCP was a legal agreement that meant the Council was responsible for any additional funding over £6,000 for each child in receipt of an EHCP. It was anticipated the number of children needing an EHCP would continue to rise, although this was a national trend. Ross Caws drew members' attention to Appendix 2 of the report, which outlined concerns raised in 2021 by the Local Government Association. Off the back of this, the Council was one of 55 education authorities now engaging with the Department for Education as part of the Delivering Better Value programme. This aimed to review the systems in place and identify ways of continuing to meet the growing funding needs of children needing SEND support.

Ross Caws said there were particular concerns around in-year funding pressures. Budget overspends had been anticipated and identified, and officers were trying to manage these with the resources available. However the trends in SEND provision meant this would continue to remain an issue.

Rob Powell said the high needs block funding came from the Government. Following reforms in 2015, local authorities had to fund young people with additional needs through the ages of 19-25. This, and other systemic issues, meant that a substantial deficit had been generated in Warwickshire and in councils across the country. Some income generated from Council Tax was being used to provide coverage for the cumulative deficit on the Council's balance sheet in case Government ever required the Council to make good the deficit. Rob Powell said increasing costs associated with home to school transport for children with SEND were also causing issues. Responding to a point raised by Councillor Sarah Feeney, Rob Powell said the Council had previously written to the government repeatedly asking for greater action to be taken to address the increasing demands associated with SEND provision.

Councillor Bill Gifford said officers were doing their best to address the issues with limited resources. He said members of the public would blame the Council for perceived failings, and said they ought to contact their MP to raise concerns as often the issues were out of the Council's hands. Councillor Bill Gifford said mainstream schools were disincentivised from taking children with additional needs because of the associated increased costs.

Ross Caws said there had been a national review of SEND prior to the publication of a Green Paper in 2021, which had led to the SEND and alternative provision improvement programme being implemented. This had led to the delivering better programme that the Council were engaged with. This set out things mainstream schools were expected to do regarding different types of education provision.

The Chair noted members' concerns that it appeared the Government was not acting on concerns raised by local authorities relating to funding for SEND. Councillor Ian Shenton said Warwickshire was a well-run council, but was still experiencing the same issues as those from others in a more impecunious position. He said there had been no marked improvements in outcomes for children with additional needs despite an increase in available funding. Councillor Ian Shenton expressed concerns over how support would be provided if demand continued to increase. Rob Powell said the Council was duty bound to provide the required levels of support for a child with an EHCP, regardless of cost or affordability.

Councillor Sarah Feeney noted the number of school exclusions was increasing, which indicated that mainstream school settings were not always the best outcome for children with additional needs.

Members noted the contents of the report.

10. Strategic Risk Management

The item was introduced by Chris Norton, who stated each service area had its own risk register. Risk appetites had been introduced to describe what would be an appropriate level of risk for each service area. Until now the assumption was that the higher a risk was, the worse the service area's overall position was.

Responding to a point raised by Councillor Brian Hammersley, Rob Powell said the Council had a good notion of the level of demand for each service area. Sometimes there were unexpected pressures, but the Council had historically been able to demonstrate an aptitude for meeting unanticipated levels of demand.

Members noted the high risks associated with a potential cyber attack. Councillor Ian Shenton said this was something that had been discussed numerous times at the Local Pension Board, and members had said they were satisfied there was adequate resilience in place to deal with a cyber attack. Councillor Ian Shenton said the current cost of living crisis would lead to possible funding challenges in certain service areas.

In response to a question from the Chair, Councillor Brian Hammersley stated his belief that elected members were generally aware of the risk profiles of service areas. Members were told that reports on risks would go to Cabinet and the various Overview and Scrutiny Committees on a regular basis. Avtar Sohal said the processes were in line with those used by other councils and no weaknesses had been identified.

Members noted the contents of the report.

11. Work Programme and Future Meeting Dates

Members noted the contents of the work programme and the dates of future meetings.

12. Any Other Business

There were no additional items of business to discuss.

13. Reports Containing Exempt or Confidential Information

It was resolved that members of the public be excluded from the remainder of the meeting as it would involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

14. Exempt Minutes of Previous Meeting

The exempt minutes of the meeting held on 20 July 2023 were approved as an accurate record.

15. Internal Audit Update Report

Members discussed the contents of the report.

The meeting rose at 12.05pm

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Chair

Audit and Standards Committee

14 March 2024

CIPFA Financial Management Code – Warwickshire County Council Self-Assessment 2023/24

Recommendations

That the Audit and Standards Committee

1) Note the progress made on the delivery of the planned improvements in financial management during 2023/24; and

2) Consider and comment on the Council's assessment of its' compliance with the CIPFA Financial Management Code and the improvements planned for 2024/25.

1. Purpose of the Report

1.1. In 2019 CIPFA issued a Financial Management Code (the Code) designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code is a series of financial management standards that set out the professional standards needed if the Council is to meet the minimum standards for financial management acceptable to taxpayers, customers and lenders. CIPFA's judgement is that compliance is obligatory if an Authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.

1.2. The Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management such that compliance with the Code will help strengthen the framework that surrounds financial decision making. The broad headings in the Code are:

- responsibilities of the Chief Financial Officer and Leadership Team;
- governance and financial management style;
- medium to long-term financial management;
- the annual budget;
- stakeholder engagement and business plans;
- monitoring financial performance; and
- external financial reporting.

1.3 The extent of compliance with the Code will be one of the factors considered by the external auditors in reaching their judgement on the value for money provided by the Council.

1.4 The Council's first self-assessment was considered by this Committee in June 2021 and an annual reassessment is undertaken thereafter; the latest reassessment was reported to the Committee in March 2023.

1.5 This report provides an update on the progress made on the delivery of the planned improvements during 2023/24 (**Appendix 1**) and provides an updated self-assessment to reflect the changes made and the improvements planned for 2024/25 (**Appendix 2**).

1.6 As in previous years, our assessment remains that the Council already meets the standards set out in the Code and therefore any developments are from an on-going process of continuous improvement. As part of this process, to contribute to maintaining compliance with the Code, more detail on the areas where the council has improvement plans in place is provided in **Appendix 2**.

1.7 Our assessment against the Financial Management Code is a partner document to the External Auditor's Value for Money assessment, reported as part of the 2022/23 Annual Audit Letter to the Committee on 30 November 2023. The Auditor's assessment rated the Council as "green" for both financial sustainability and governance and "amber" for improving economy, efficiency and effectiveness purely as a result of two external inspection outcomes relating to Fire and Special Educational Needs and Disabilities. Our self-assessment is consistent with these ratings given the evidence of positive action being taken proactively where opportunities to improve performance are identified.

1.8 The auditors were satisfied that the Council has appropriate arrangements in place to ensure it can deliver economy, efficiency and effectiveness. The rating of "amber" was given because of the on-going work to implement the agreed improvements arising from prior years' inspection outcomes.

1.9 Nevertheless, it is important to note the context of an extremely challenging financial year, with a material overspend expected. Council recently approved the 2024/29 MTFS and 2024/25 budget, which are balanced and address the causes of this position, but they require delivery of challenging savings and that demand-driven services work within their increased budgets at a time when demand is increasing at a much faster rate than the Council's resources.

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.

4. Background Papers

4.1. None.

	Name	**Contact Information**
Report Author	Andrew Harper Head of Strategic Finance	andrewharper@warwickshire.gov.uk
Director	Virginia Rennie Director of Finance	vrennie@warwickshire.gov.uk
Executive Director	Rob Powell Executive Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin Portfolio Holder for Finance and Property	cllrbutlin@warwickshire.gov.uk

Elected Members have not been consulted in the preparation of this report.

CIPFA Financial Management Standards – Review of 2023/24 Planned Developments

Standard	2023/24 Planned Development	Commentary on Progress
The Leadership Team is able to demonstrate that the services provided by the authority provide value for money	Introduction of a Corporate Board quarterly stocktake.	Quarterly Stocktakes have now been embedded in Corporate Board activity, informing and assuring quarterly reporting to Cabinet and providing officer oversight of issues relating to the Council's programme of work and finances. The content of these sessions is evidence-led, designed to assure the achievement of outcomes against the Council Plan. These sessions will continue to be developed, building around existing discussions on budget, strategies & performance, with a focus on insight.
	Further development of the suite of Power BI dashboards.	The Business Intelligence function has dedicated significant attention to the development of further Power BI dashboards during the past twelve months, and there is now a comprehensive set of dashboards serving a range of business needs across the organisation. Performance data shows extensive use of these dashboards across the Council.

Standard	2023/24 Planned Development	Commentary on Progress
The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	Inclusion, as part of the appraisal process for all Tier 1-3 officers, a set of givens of what it is expected all leaders will deliver, covering delivering our outcomes, finance, process and people.	Implemented the Warwickshire Leaders Personal Performance Framework for 2024/25, which contains a Performance Review of 2023/24 and Setting objectives for 2024/25. This is a requirement for Executive Directors, Directors and Heads of Service. This framework includes a set of requirements for all leaders for delivering our outcomes, finance, process and people.

Standard	2023/24 Planned Development	Commentary on Progress
The financial management style of the authority supports financial sustainability	Complete the development of an overarching financial framework for the organisation that aims to embed the principles of the CIPFA	Lunchtime 'Continual Professional Development' sessions are offered to all Finance staff. A specific session is planned to outline the requirements of the CIPFA Financial Management Code.

	Financial Management Code into the culture of the organisation.	
	Continue to develop the financial literacy of managers, to alongside the financial systems developments.	Mandatory Budget briefings with all Cost Centre Managers were delivered by the Executive Director for Resources and the Director of Finance dealing with the 2023/24 financial recovery strategy and setting the scene for the 2024/25 budget and MTFS. These were well attended and received and we are considering mainstreaming in 2024/25. Training to all Capital Project Managers was delivered as part of the implementation of the new Capital FP&A forecasting module.

Standard	2023/24 Planned Development	Commentary on Progress
The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Further development of the pipeline of future revenue and capital investments.	**Capital Investment** Reviewed as part of the 2024/25 budget setting process, including setting out priorities for new capital investment over the next 12 months. Capital investment schemes will in future fall into one of three categories: 'Must Do', 'Should Do' and 'Optional'. The Capital Budget Resolution explicitly set out two areas for a programme of capital investment covering the five years of the MTFS. These are the investment programmes needed to ensure the sufficiency of school places and the expanded resource provision in schools to reduce the deficit on the DSG High Needs block. **Revenue Investment** The 2024/25 Revenue Budget Resolution stated the Council will retain its Revenue Investment Funds to deliver investment proposals over the period of the Medium-Term Financial Strategy and to develop the pipeline of further budget reductions. Work is continuing to prioritise activity in specific areas closely linked to the Council's major financial challenges. Additionally, ongoing development of a more focused 2-year Council Delivery Plan will link activity to the Revenue Investment Fund where investment is required.

Standard	2023/24 Planned Development	Commentary on Progress
The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions.	Approval and implementation of the Benefits Management Guide.	A benefits management guide is due to be formally launched in 2024/25, in line with the newly combined Change Programmes team comprising the previous Change Hub and Programme Management Office. The practices are already being actively promoted to programme/project management staff and services as part of development of Full Business Cases and closure reports.

Standard	2023/24 Planned Development	Commentary on Progress
The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	Implementation of the recommendations from the capital management project.	A closure report was taken to Resources and Fire & Rescue Overview & Scrutiny Committee on 13 December 2023. The report noted the recommendations from the capital management project have now been implemented, summarised the changes that have been made and the benefits that have been delivered.

Standard	2023/24 Planned Development	Commentary on Progress
The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	Review of the effectiveness of the governance arrangements for Warwickshire Property and Development Group (WPDG) and the Warwickshire Investment Fund.	**WPDG** An internal audit review of WPDG Governance was undertaken in Summer 2023. The report will be made to WPDG Governance Group in April 2024. We have also reviewed governance of both WPDG and Joint Venture (Develop Warwickshire) over the autumn, including agreeing a protocol for WPDG acting as WCC's proxy vote on the Develop Warwickshire Board. In addition, we produce an annual statement of governance compliance that considers the requirements of the Shareholder's agreement for WPDG and will be expanding that this year to include Develop Warwickshire. **Warwickshire Investment Fund (WIF)** The WIF was reviewed as part of the 2024/25 strategy refresh.

		There have also been specific reviews of the WIF in terms of activity and viability, including governance, that ultimately led to the decision to refocus the investment pillars within the WIF, leading to more effective and streamlined governance for lending decisions.

Appendix B

CIPFA Financial Management Standards – Self Assessment

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status
1	**Responsibilities of the CFO and Leadership Team**			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	• The Council Plan sets out how we will use our resources to deliver on our core outcomes and priorities, supported by an Integrated Delivery Plan. • Through our performance management framework, we monitor delivery of the Council Plan and the Integrated Delivery Plan. • A suite of dashboards for monitoring and decision making provide a golden thread from Council to Service business plans, covering performance, finance, risk, and assurance. • Benchmarking information is used to compare our service/financial performance to other authorities as part of the annual refresh of the Medium-Term Financial Strategy (MTFS). • Where performance (either service or financial) is identified as an issue of concern reviews are instigated with a clear value for money focus. The 2024/25 Budget Resolution requested that, as a priority, officers are asked to review and, if appropriate redesign our provision of support for bus services, early years/early help services to ensure the most effective use of resources for the long-term. Additionally, home to school transport, fire and rescue, and SEND were included as areas for further review. • All Council strategies use a ‘why, what, how’ approach to ensure effectiveness is at their core. • Investment decisions specifically consider the cost-benefit of projects, with an independent evaluation forming part of the decision-making process. • These strands of activity are brought together and considered as part of an integrated approach to service and financial planning, driven by the Council Delivery Plan to cover policy, finance and performance. • All reports to Member bodies, Corporate Board, and service management teams include a financial implications section that comments on the value for money of the decision. • Where savings are required, Services are required to prioritise ‘right-sizing’ budgets and identifying efficiency improvements before considering service reductions. • All tenders consider VFM by considering the quality of service and not just price and, in many cases, quality is given a higher weighting.	• Develop and provide training on the new Procurement and Contract Management Strategy, to all staff involved in procurement and contract management. • Soft market testing to identify options for efficiencies and removal of manual processes in replacement of the Access projects (Mosaic, Synergy, Abacus etc)	GREEN

		• We provide open access to our current contract information to demonstrate transparency to the public.		
Ref.	**CIPFA Financial Management Standard**	**Current Status**	**2024/25 Planned Developments**	**Status**
B	The Authority complies with the CIPFA "Statement of the Role of the CFO in Local Government"	• The Executive Director for Resources is the Authority's s151 officer. He is a member of the Council's Corporate Board, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest. • The Director of Finance (Deputy s151 Officer) also attends Corporate Board. • The Executive Director for Resources is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy. • The Executive Director for Resources leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. • The Director of Finance, reporting to the Executive Director for Resources, leads and directs a finance function that is resourced to be fit for purpose. Both are professionally qualified (CIPFA) and suitably experienced. • The five principles laid out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government are met.		GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status
2	**Governance and Financial Management Style**			
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	• The organization has a set of core behaviours, which are demonstrated on a day-to-day basis by senior managers, to support the cultural change and transformation of the organisation. • The behaviours are supported our values; to be high performing, collaborative, customer focused, accountable, and trustworthy. • The behaviours and values are integral to 1:1s and appraisal conversations and are key to the way we recruit and develop colleagues. • We have arrangements to provide assurance that our behaviours are being upheld and that members and officers demonstrate high standards of conduct. These include: ○ codes of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud, and whistleblowing); and ○ inclusion of ethical values in policies and procedures for all areas including procurement and partnership working. http://www.warwickshire.gov.uk/conduct • Our Constitution sets out the framework to ensure that all officers, key post holders and Members can fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law. • We have documented governance arrangements for our wholly owned companies and the Warwickshire Investment Fund. • The Director of Finance and Monitoring Officer both attend Corporate Board to ensure strong governance and oversight of decision-making. • Directors complete an Assurance Statement at the end of each financial year which confirms the management of risk and internal controls in place during the year. • Equality Impact Assessments are completed as part of implementing changes to policies, activities and services.	• Further automation and process re-engineering/digital redesign and systems thinking (removing failure demand). • Implementation of Workforce Planning and Workforce Strategy	GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status

D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	• The organization has approved and adopted a refreshed Code of Corporate Governance, 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
		• The Annual Governance Statement explains how the Council has complied with its Code of Corporate Governance.
		• Induction training is available to all Members and includes a focus on governance, the code of conduct and officer/member relations.
		• The system of internal control is designed to manage risk to a reasonable level based on continuing processes designed to:
		  • identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives;
		  • assess how likely it is that the identified risks will happen, and what will be the result if they did; and
		  • manage the risks efficiently, effectively, and economically.
				GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status

E	The financial management style of the authority supports financial sustainability	• The Council's financial management style and approach to risk is a balance of stewardship and enabling, aligned to the hierarchy of financial management styles (delivering accountability, supporting performance & enabling transformation) set out in the Code.
		• The Council has a defined 'risk appetite' that is refreshed annually.
		• The characteristics of the Council's financial management style are:
		  • a consistent structure and approach to the delegation of financial responsibilities and authority;
		  • budget holder responsibility;
		  • financial management support aligned to service structure and documented through an agreed Service Offer;
		  • enabling ethos, supporting improvement of performance, development, and transformation, including a dedicated Projects Team within Finance;
		  • Finance representation on the Project Boards for all major projects; and
		  • Finance attendance at all Service Management Teams.
		• A comprehensive Finance Workforce and Training Strategy that includes a suite of finance training for managers to ensure all employees understand their joined up and collective responsibility for the sound and effective management of the Council's financial resources.
		• Sustainability, strategic risk management and stewardship is directed through the s151 role and Resources Directorate.
		• All reports to Member bodies and Corporate Board are required to include a financial implications section that is signed-off by a senior finance manager and a representative of the Finance Service attends all such meetings. This will highlight any financial sustainability concerns in relation to the decision being recommended.
		• Finance Delivery Leads attend Directorate Leadership Team meetings to ensure financial risks and implications are considered across the portfolio of agenda items.
			Embedding the new Risk Management framework	GREEN

		• Processes ensure there is alignment of performance/service information with financial forecasting deadlines.		🟩
Ref.	**CIPFA Financial Management Standard**	**Current Status**	**2024/25 Planned Developments**	**Status**
3	**Long to Medium-Term Financial Management**			
F	The authority has carried out a credible and transparent financial resilience assessment	• The budget resolutions include the s151 Assurance Statement on the robustness of reserves and estimates. • A reserves strategy is approved as part of the suite of budget papers on an annual basis. • The Executive Director for Resources undertakes and issues a detailed reserves risk assessment each year and sets out clearly the minimum level of reserves it is prudent for the Authority to hold. • The MTFS includes an assessment of future resilience issues and level of reserves. • The financial resilience of the Authority, including use of the CIPFA Financial Resilience Index is reviewed annually by the Executive Director for Resources and reported to Corporate Board and Members as part of their budget deliberations. • Quarterly balance sheet modelling is undertaken including the impact of WIF and WPDG. • A standalone annual assessment of the organisation's debt capacity is prepared and included as part of the Council's capital strategy.	Implement monitoring of the WCC position against new OFLOG/DLUHC financial metrics as they evolve.	GREEN
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	• It is Council policy and practice to set a budget and MTFS that is balanced not only for the next financial year, but also over the medium term (5 years). • The positioning of the budget report within the wider suite of consistent annual financial cycle reporting ensures that the understanding of sustainability is central to reporting throughout the financial year. • An interactive financial planning model is used as part of the MTFS process allowing Councillors and senior officers to adjust the drivers of spend and resourcing to understand the impact on the annual budget and the 5-year MTFS. The model includes the flexibility to use reserves to support activity on a temporary basis but ensures the MTFS is balanced and sustainable. • Budget reporting to Members includes a sensitivity analysis of the impact of changes in estimated inflation, taxbases, government grant, spending need, council tax levels and business rates.	Improvement of data to support forecasting around high-risk services (particularly Mainstream Home to School Transport and SEND).	GREEN

		• The Council's Strategic Risk Management Framework and Strategic Risk Appetite levels and statements in place with a full annual update and quarterly refresh.		🟩

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status
H	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	• Capital, Treasury and Investment activities are managed line with the Prudential Code for Capital Finance in Local Authorities, as well as associated statutory guidance (e.g. Investment Guidance; Minimum Revenue Provision Guidance; Treasury Management Guidance). • Fundamental to this is the setting of prudential and commercial investment indicators in the Treasury Management and Investment Strategies agreed as part of the suite of budget reports. • Mid-Year Review and Outturn reports of performance against both strategies are considered by Corporate Board, Cabinet and the Resources and Fire Overview and Scrutiny Committee. • A quarterly review is undertaken to ensure internal consistency between the capital programme, the Treasury Management and Investment strategies and the balance sheet forecasts. • Business case appraisal process for both WPDG and WIF includes the provision of evidence that demonstrates compliance with the Prudential Code as part of the financial implications of any proposed decision.	Increased internal reporting of WCC exposure to non-treasury lending (such as WPDG and WIF)	GREEN
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	• It is Council policy and practice to set a budget and MTFS that is balanced not only for the next financial year, but also over the medium term (5 years). The approved 2024/25 budget also met this criterion. • The rolling 5-year MTFS demonstrates that the finances of the authority are allocated in accordance with the priorities of the organisation and that the underpinning finances remain robust and our service delivery sustainable. • In setting the MTFS framework it is acknowledged by Council that if future spending needs exceed the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable. • An Integrated Planning approach to service and financial planning designed to further enhance the golden thread between the Council Plan, Council Delivery Plan, MTFS and service business plans.	Improved links/consistency between strategic activity of the Commercial Delivery Group and its alignment with the MTFS process (such as WPDG, Traded Services, Fees & Charges Income)	GREEN

		• Introduction of the concept of revenue and capital investment pipelines and a prioritisation process focused on the Council Delivery Plan.		
Ref.	**CIPFA Financial Management Standard**	**Current Status**	**2024/25 Planned Developments**	**Status**
4	**The Annual Budget**			
J	The authority complies with its statutory obligations in respect of the budget setting process	• The Council approves an annual balanced budget that enables the s151 officer to positively comment on the robustness of the estimates and the adequacy of the proposed financial reserves (s25 assurance statement). • The supporting documentation meets the requirements to approve a capital strategy, the annual pay policy statement and the treasury management and investment strategies. • Meeting dates are set to ensure compliance with statutory deadlines.		GREEN
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	• A s25 assurance statement forms part of the budget resolution for each of the political groups. The commentary is specific to the content of the resolution. • The s151 officer's s25 assurance statement includes commentary on the key risks to the deliverability of the budget. For the 2024/25 budget these include the delivery of the planned budget reductions, inflationary risk, cost-of-living risk, the repayment of overspends, dedicated schools grant deficits, treasury management, uncertainty of the national funding position, local government funding reform, and the impact on the MTFS.		GREEN
5	**Stakeholder Engagement and Business Plans**			
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan, and annual budget	• Consultation with stakeholders is undertaken as part of setting the annual budget and capital programme, including the statutory consultation with business ratepayers and consultation with the trade unions. • Wider consultation with residents is embedded as part of the engagement around the organisation's priorities and objectives. • Extensive stakeholder involvement is undertaken as part of the development and implementation of service changes and major projects, with the extent of consultation required approved by Legal Services. • A corporate consultation and engagement framework and guidance provides overarching standards and best practice for all staff who undertake consultation and engagement activities and reflect current legislation around the "duty to		GREEN

		inform, consult and involve" local communities and residents, and recognised best practice.		🟩
Ref.	**CIPFA Financial Management Standard**	**Current Status**	**2024/25 Planned Developments**	**Status**
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions.	• For all revenue and capital projects requiring funding a proof-of-concept document is produced to assess alignment to the Councils strategic objectives and priorities and whether the investment is value for money and affordable. Approval adds a scheme to the 'live' revenue or capital investment pipeline. • A standard business case is then prepared for all new capital and revenue investment proposals. This includes Director sign off confirming the scheme is a priority in contributing to the delivery the corporate priorities and objectives, satisfaction with both the content of the bid and the rigour with which the business case has been compiled, and willingness to accept accountability for the delivery of the scheme benefits within the timeframe and cost envelope. Finance representatives review draft business cases to ensure financial implications are considered within the plans. • All business cases are reviewed by an independent Panel including legal and finance representatives. • The business case along with the evaluation then goes through a final approval process of Corporate Board and, where required, Elected Members at which point funding is approved. • Investment business cases are required to identify measurable project benefits linked to solving the business problem. • Post-project assurance of benefits realisation is required before projects can be closed. • As part of our commissioning and procurement all tenders consider VFM by considering the quality of service and not just price.		GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status
6	**Monitoring Financial Performance**			
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	• Financial reporting is consolidated covering revenue, capital, savings and balance sheet impacts. This enables the impact on reserves, the MTFS and future financial sustainability to be considered on a quarterly basis. • Monthly financial reporting to Corporate Board enables a prompt and proactive response to emerging risks and for mitigating actions to be identified. • Corporate Board receives quarterly reports on performance and risk that highlight areas of concern and any changes to our strategic risks. • Where areas of concern are identified 'deep dives' covering financial and performance information are considered and action plans developed. This covers both the revenue budget and major capital projects. • Directorate Leadership Teams receive monthly reports on their financial position and performance, which escalate areas of concern for Directorates to consider mitigating actions. • A Commercial Delivery Group monitors the performance of traded services and other aspects of the Council's commercial strategy. • A Capital Strategy Board has been created to oversee the capital investment pipeline with a specific remit to monitor the delivery of the capital programme. • Directors provide an annual assurance that risks are managed, and controls are maintained through the year. • Internal Audit provide a level of assurance that the significant risks facing the Council are addressed, based on audit outcomes.	• Continuation of development of the suite of Power BI dashboards. • Increased scrutiny of savings delivery and introduction of Budget Delivery Oversight Group	GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	• We have a structured approach to the monitoring of the key elements of our balance sheet that pose a significant risk to financial sustainability. • A reserves strategy is approved as part of the budget/MTFS each year and our level of reserves is monitored on an on-going basis. • Compliance with the reserves strategy and the impact of in-year financial performance on the Authority's reserves and balances is reported as a standard part of all monitoring reports to Corporate Board and Cabinet. • Cash balances, debt and investments are monitored as part of the treasury management and investment in-year performance reports to Corporate Board and Cabinet. • Our performance management framework includes key financial health indicators at corporate and service level. This includes reporting on the level of outstanding debt. • Our balance sheet model is used to: ○ forecast the Council's loan and cash position; ○ determine long term capital financing and external borrowing requirements; ○ assess the impact of major investments through WPDG and WIF as part of the assessment of the risks and benefits of the investment to the Council and subsequent impact on revenue and capital budgets; and ○ support the setting of the authorised and operational boundaries within the Treasury Management and Investment Strategies. • Robust governance arrangements for both WIF and WPDG have been implemented, as approved.		GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2024/25 Planned Developments	Status
7	**External Financial Reporting**			
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom"	• The Executive Director for Resources is responsible for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom". • The operational responsibility for production of the Statement of Accounts, in line with proper accounting practices, rests within the Strategic Finance team. The Executive Director for Resources has management responsibility, through the Director of Finance, for the Strategic Finance team. • The Strategic Finance team attend relevant briefings and training annually on Code of Practice changes and audit requirements to ensure knowledge is current and the quality of the draft, pre-audit documents remains high.		GREEN

Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	• The outturn report to Corporate Board and Cabinet provides an analysis of the financial position of the organisation at the end of the financial year including:
		  • capital and revenue performance during the financial year;
		  • explanations and mitigating actions put forward by Services for variations to budgets, and the implications on the MTFS;
		  • savings achievement; and
		  • the resulting reserves position.
		• The information enables informed decisions to be made about:
		  • approving the carry forward of specific resources to support the delivery of the Council Plan in the following financial year; and
		  • areas to be targeted as providing potential opportunities for budget right-sizing.
		• The report is consistent with preceding budget monitoring reports presented to Corporate Board and Cabinet throughout the year, from the budget setting report through the three quarterly stages of in year monitoring, allowing outturn to be viewed in the context of the regular strategic financial reporting.
				GREEN

Audit and Standards Committee

14 March 2024

Update to Warwickshire County Council External Auditor's Audit Findings Report 2022/23

Recommendation

That the Audit and Standards Committee notes and comments on the updated Audit Findings Report of the External Auditors for Warwickshire County Council, attached at Appendix A.

1. Key Issues

1.1. Our external auditors, Grant Thornton, are required to report to those charged with governance on issues arising from the audit of the County Council's financial statements before issuing their final opinion.

1.2. Our external auditors prepare two annual reports for this purpose. The first is the Annual Audit Letter which was considered by this Committee on 30 November 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. The draft 2022/23 Audit Findings Report was presented to the committee on 30 November 2023, in which the auditor reported they anticipated issuing an unqualified audit opinion follow the Full Council meeting on 19 December 2023.

1.3. Since the last meeting of the committee, the 2022/23 Statement of Accounts were approved by Full Council on 19 December 2023 and the unqualified audit opinion was received on 26 January 2024 alongside an updated Audit Findings Report. This final Audit Findings Report is attached for the Committee's information at **Appendix 1**.

1.4. For ease, the main changes (highlighted in yellow) from the version presented in November are contained within Section D – Audit Adjustments from pages 30-33 in the Audit Findings Report. There were two adjustments to the accounts, several disclosure changes from the technical review of the accounts and one unadjusted misstatement, which was not material and will be changed in the 2023/24 accounts. The adjustments and minor presentational changes were made to the approved Statement of Accounts published on the WCC website with the accompanying audit opinion.

1.5. In the auditor's opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

1.6. No additional improvement recommendations have been made to those presented in November and, therefore, there are no additional management responses for the Committee to be aware of.

1.7. As is our usual approach, following the accounts being signed and approved, we have undertaken a review of the process, in conjunction with the External Auditors, to ensure that any lessons learned are built into the closedown/audit process for the 2023/24 accounts.

Accounts Certification

1.8. The auditors cannot formally conclude the audit and issue an audit certificate for Warwickshire County Council for the year ended 31 March 2023 (or any financial year dating back to 2017/18) until they have completed their considerations of an objection brought to their attention by a local authority elector relating to the 2017/18 Statement of Accounts. The auditors are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

1.9. On 19 February 2024, a letter of formal complaint regarding this matter was sent by the Chair of the Committee to Grant Thornton. As at the time of publishing this report, the work has not yet been completed.

2. Financial Implications

2.1. None.

3. Environmental Implications

3.1. None.

4. Background Papers

4.1. Audit & Standards Committee 30 November 2023 - Warwickshire County Council 2022/23 Audit Findings Report.

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Elected Members have not been consulted in the preparation of this report.

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Grant Thornton

The Audit Findings for Warwickshire County Council

Year ended 31 March 2023

Contents

Your key Grant Thornton team members are:

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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 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.

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

Avtar S Sohal

Name: Avtar Sohal
For Grant Thornton UK LLP
Date: 26 January 2024

1. Headlines

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

Financial Statements

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

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

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

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

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

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

1. Headlines

Value for Money (VFM) arrangements

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

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

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

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

Statutory duties

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

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

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

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

Significant matters

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

1. Headlines

National context – audit backlog

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

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

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

National context – level of borrowing

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

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

2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

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

Conclusion

We have completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion following the Council meeting on 19 December 2023, as detailed in Appendix H. These outstanding items have been detailed on Page 3.

Acknowledgements

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

2. Financial Statements

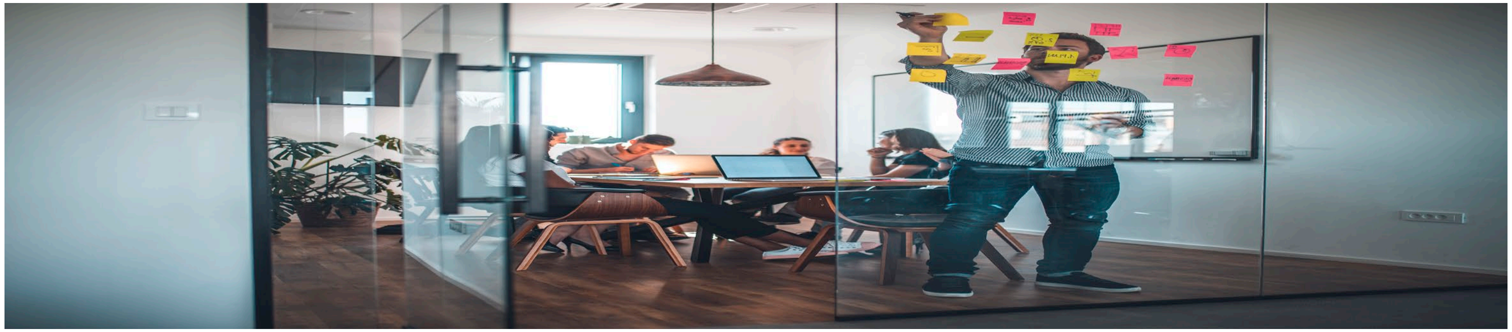
Our approach to materiality

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

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

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

	Amount (£)	Qualitative factors considered
Materiality for the Council financial statements	17m	Approximately 1.5% of your gross expenditure for the year
Performance materiality	12.75m	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based on a number of factors: • We are not aware of a history of significant deficiencies in the control environment; • There has not historically been a large number or significant misstatements arising; • Senior management and key reporting personnel has remained stable from the prior year audit; • There is not a significantly increased number of accounting issues that require significant judgment compared to prior years; and • The entity operates from one location in the United Kingdom. We do not therefore consider that this generates additional aggregation risk.
Trivial matters	0.875m	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee. Taken as a proportion of the materiality threshold, we consider that any matters below this threshold would be clearly inconsequential, taken individually or in aggregate
Materiality for specific transactions, balances or disclosures	Senior Officers 0.021m	This is an area of specific interest to users of the financial statements and include sensitive balances



2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override 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.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high-risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **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. In addition, we have concluded that there are no indications of management bias in estimates included in the financial statements. We have reviewed the Council's material accounting estimates and have found these to be reasonable, with further details on pages 13 to 15. Our review of the accounting policies concluded that they were reasonable. **From our work we have identified one control recommendation:** 1) We have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Council's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. This has been reported in Appendix B.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and building The Council revalues its land and buildings on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of the Council's land and buildings as a significant risk.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register • engaged our own expert valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. **Conclusion** We have reviewed the accounting estimate for year ended 31 March 2023 as performed by current valuer WHE and are satisfied that this has been calculated on a reasonable and appropriate basis in line with the relevant accounting and other professional standards and is free from material misstatement. **We have raised 2 control recommendations to the Council which have been reported in Appendix B.** 1. For assets valued using the depreciated replacement cost (DRC) basis, one of the key inputs into the valuation is the build cost per square metre, taken from national data ranges adjusted for local factors. When determining the value an asset, the valuer is required to use their judgement when considering an appropriate build cost to use, based on the nature and type of the asset. Whilst we are satisfied that the appropriate type of build costs have been applied to each asset, the valuer has used the mean build cost for every asset. We believe that the valuer should consider the range of data available and tailor the build cost used for each asset based on the condition of the building. 2. We have identified that the Council has a large number of assets within their fixed asset register which are held at nil net book value. The gross book value of these assets is £37.8m and whilst there is no impact on the balance sheet, this does increase the gross book value and accumulated depreciation values. Given that this balance is material, upon testing to see if these assets existed, it has been noted that many items had been disposed/ derecognised over the years. The Council have undertaken an exercise to remove the assets that do not exist from their asset register, however there are still assets which the Council are unsure of. Whilst the residual balance is not material, there is the risk that the gross values within the PPE note is inflated. Overall, we are satisfied that the valuation of land and buildings is not materially misstated.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Fraud in revenue recognition (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted	**Conclusion:** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including County Council, mean that all forms of fraud are seen as unacceptable Therefore, at the planning stage we did not consider this to be a significant risk for Warwickshire County Council. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision
The expenditure cycle includes fraudulent transactions (rebutted) Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets. Having considered the risk factors relevant to the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply.	**Conclusion:** At the planning stage we did not consider this to be a significant risk for County Council. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of the net defined benefit pension fund liability

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

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

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

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

Commentary

We have:

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

Conclusion

We have completed our audit procedures on this audit area and are satisfied with the accounting treatment of the potential net asset with regards to IFRIC14. No material issues have been identified from our testing.

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

2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
IT Audit Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council that was performed in the prior year. This included the following systems: • Agresso • Altair • YourHR (iTrent) • Active Directory	Our review identified the following new deficiency: • Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. Two other improvement recommendations were identified in relation to the password settings not being compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.	See appendix B where this has been reported as a control deficiency. In respect of the new risk identified, we have considered this in our response to the significant risk of management override of controls and have not noted any instances whereby have posted inappropriate journal entries to the ledger. We have also not identified any actual or suspected instances of management override of control. A separate audit findings report has been issued to management in respect of our IT general controls audit with recommendations which the Council should consider for future periods.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £762.3m	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. Surplus assets are measured at fair value at the balance sheet date, based on highest and best use. The Council has engaged Wilks Head & Eve to complete the valuation of all assets as at 31 March 2023 which is consistent with the prior period. 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. The valuation of properties valued by the valuer has resulted in a surplus on revaluation of £60m. There are a number of factors which have led to this increase however the most marked increase is due to the inflationary impact on relevant indices in 2023.	• 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.	● 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

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £255.9m</td>
<td>The Council's total net pension liability at 31 March 2023 is £255.9m (PY £901.1m), comprising the Warwickshire Local Government pension scheme, firefighters pension schemes and teachers unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £703.8m net actuarial gain during 2022/23</td>
<td>

We are satisfied that management's expert, Hymans Robertson is competent, capable and objective
Underlying information used to determine the estimate has been appropriately rolled forward from the latest triennial valuation
The actuarial methodology applied in calculating the estimate is reasonable and in line with industry practice and peers

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.75%</td><td>4.75%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>2.95%</td><td>2.95-3%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>3.95%</td><td>2.95-3.95%</td><td>●</td></tr>
</table>

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

</td>
<td>●

We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

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- £537.8m	The Authority have received substantial grant funding in the year. These revenue streams are reviewed for terms and conditions which may indicate that the Authority is only acting as a distributing agent and therefore this income would not be recognised in the financial statements. Where the Authority is acting as Principal, this income is recognised accordingly in the Comprehensive income and expenditure statement and balance sheet where applicable.	• Grant income has been tested substantively on a coverage basis and for amounts recognised in the financial statements, we are satisfied that this is appropriate on a principal basis. Where grant restrictions are in place, these have been adhered to and amounts held. • We are satisfied that underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income are complete and accurate. • The Council have identified two amendments to the grants note which have been reflected in Appendix D. • The disclosure of accounting treatment and key judgements made by management in the financial statements is adequate	● We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Minimum Revenue Provision - £10.5m	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. The year end MRP charge was £10.5m, which was broadly consistent with 2021/22.	• 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	● 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: Information Technology

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

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

Assessment

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

2. Financial Statements: other communication requirements

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

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

2. Financial Statements: other communication requirements

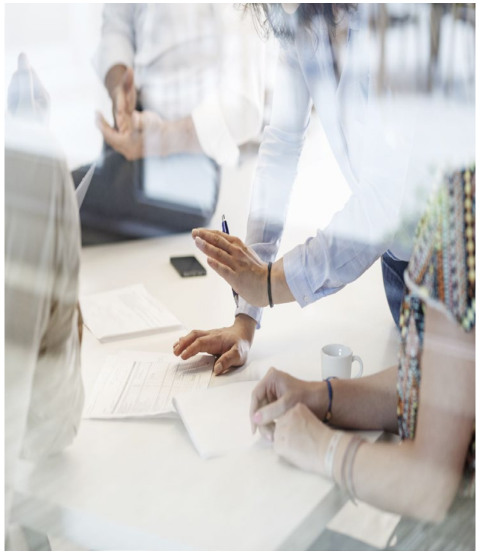
Our responsibility

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

Issue	Commentary
Going concern	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: • 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. 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: • 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. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • 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	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. No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. Detailed work is not required as the Council does not exceed the threshold and therefore on receipt of 2022/23 assurance statement this will be submitted in line with the relevant deadline
Certification of the closure of the audit	We intend to delay the certification as the closure of the 2022/23 audit of Warwickshire County Council in the audit report, due to an outstanding accounts objection to the 2017/18 accounts.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

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

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

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

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

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified **which were charged from the beginning of the financial year to 14th December 2023,** as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Grant Thornton UK LLP are also the appointed auditors of the Warwickshire Pension Fund. These services have been documented separately on the Pension Fund Audit Findings Report.

Service	Fees 2022/23	Fees 2021/22	Threats identified	Safeguards
Audit related				
Certification of Teachers Pension Return	£10,000	£7,500	Self-Interest, Self Review, Management (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £130,070 and in particular, relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. We have also not prepared any elements of the return and are carrying out work on information submitted by the Council. The scope of our work does not include making any decisions on behalf of management of recommending a particular course of action. We will perform this engagement in line with the Reporting Accountant Guidance issued by Teachers Pension. These factors all mitigate the perceived self-interest, self-review and management threats to an acceptable level.
Non-audit related	Fees		Threats identified	Safeguards
CFO Insights subscription	£18,124		Self-Interest, Self Review, Management (because this is a recurring fee)	A fee of £36,000, for a three year subscription to CFO insights (£12,000 per year), was paid by the Council in 2020/21. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £130,070 and in particular, relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. The work will be undertaken by a team independent to the audit team and the scope of the work does not include decision marking on behalf of management. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

5. Independence and ethics

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

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

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Lack of journals authorisations** From our review of the journals control environment, we have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Council's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. This is consistent with prior year findings as noted in Appendix C.	The Council should introduce controls to ensure that each journal posted to the ledger is appropriately authorised by someone more senior to the poster. **Management response** There were over 239,000 journals posted in the financial system in 2022/23. Journal postings to the WCC ledger do not require second user approval or authorisation. We remain satisfied that there are sufficient mitigating controls, including restrictions of journal posting access to mitigate the risk of the financial statements being materially misstated management override of controls. In January 2024, the financial system is being transferred from its current on-premises setup to a cloud-based solution. Internal audit and corporate finance are actively engaged in the project. Through this involvement we will be able to monitor and assess any impact on the journal types and assess whether any further controls are needed.
Medium	**IT general controls audit** 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: - Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. Two other improvement recommendations were identified in relation to the password settings not compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.	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. **Management response** For Agresso and YourHR the password functionality uses Single Sign on. This method uses an individual's Active Directory user ID and password and, if necessary, uses Microsoft Authenticator as a Dual Factor Authentication. All Active Directory accounts require passwords to meet strict complexity rules. The Authority has processes and procedures in place that ensure that Active Directory Accounts are closed down in a timely manner, which in turn ensures the same levels of control are cascaded to Agresso/Unit 4 and YourHR as soon as IT are aware. We will review the guidance for managers for when an employee leaves to make sure the need to inform IT promptly is highlighted.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Completeness of declaration of interests** Our testing of related parties via a search of Companies House identified a directorship of a member that was not declared or disclosed. Although we are satisfied that no transactions took place with the Council, incomplete declarations of interest lead to the risk that the Council does not understand its related parties.	We recommend that at least once per year, the Council should undertake a completeness review of related parties including: • Ensuring all disclosure returns are received from senior management and members, including nil declarations and from those that leave their role during the year. • Undertaking searches on Companies House to identify any undeclared directorships. **Management response** Democratic Services require all Members to review their register of interests declaration at least on an annual basis and this forms basis of the disclosure in the accounts. Going forward, to ensure that disclosures are captured we will continue to follow-up any missing declarations and supplement this by a Companies House search.
Medium	**Review of the asset register** We have identified that the Council has a large number of assets within their fixed asset register which are held at nil net book value. The gross book value of these assets is £37.8m and whilst there is no impact on the balance sheet, this does increase the gross book value and accumulated depreciation values. Given that this balance is material, upon testing to see if these assets existed, it has been noted that many items had been disposed/ derecognised over the years. The Council have undertaken an exercise to remove the assets that do not exist from their asset register, however there are still assets which the Council are unsure of. Whilst the residual balance is not material, there is the risk that the gross values within the PPE note are inflated.	We recommend that the Council undertakes a full review of their asset register and to remove items which are no longer in use to ensure that the PPE note is materially accurate. **Management response** We have already put in place changes to our processes and procedures in response to this finding. Instead of asking managers whether they have disposed of any assets in the year we will in future provide them with a list of assets and ask them to positively confirm the asset is still in use within the Service. We will then update the asset register in light of managers' responses.
Low	**Accurateness of the valuation methodology** For assets valued using the depreciated replacement cost (DRC) basis, one of the key inputs into the valuation is the build cost per square metre, taken from national data ranges adjusted for local factors. When determining the value an asset, the valuer is required to use their judgement when considering an appropriate build cost to use, based on the nature and type of the asset. Whilst we are satisfied that the appropriate type of build costs have been applied to each asset, the valuer has used the mean build cost for every asset. We believe that the valuer should consider the range of data available and tailor the build cost used for each asset based on the condition of the building.	We recommend that the Council should challenge and review the build costs applied by their Valuer as part of their valuations on an annual basis. **Management response** As part of our quality assurance of the information provided by the valuer we will continue to require our valuer to comment as to why the build cost used is appropriate for the nature and type of asset.

Controls

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

C. Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Journals review and approval** Currently there are no review and approval mechanisms in place in respect of journal postings to the ledger i.e. where an individual has appropriate access, they are able to do this without any independent review or segregation of duties. It should be noted that this does not reflect a change in the business processes of the Council and this is consistent with prior periods but rather, is being highlighted due to a change in our approach to journals testing. 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.	See our comments on page 27
✓	**IT general controls audit** 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: • 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.	
✓	**Infrastructure Assets** 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. 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 Not withstanding the statutory instrument that has been issued, which is intended to be a short term solution, we recommend that management review the accounting arrangements for infrastructure assets and in particular the estimate of useful economic life for reasonableness.	

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Grant Income The Council identified a £1.5m overstatement of both income and expenditure relating to the Pupil Premium Grant within the draft financial statements for 2022/23.	Debit – Net costs of services 1,500 Credit – Net cost of services (1,500)	No impact	No impact	No impact
Grant Income The Council identified £15.1m of grant income relating to the Better Care Fund that was incorrectly charged to Net Cost of Services on the CIES. This income should have been recognised against Taxation and Non-Specific Grant Income on the CIES.	Debit – Taxation and non-specific grant income and expenditure 15,100 Credit – Net Cost of Services (15,100)	No impact	No impact	No impact
Overall impact	**£0**	**£0**	**£0**	**£0**

D. Audit Adjustments

Misclassification and disclosure changes

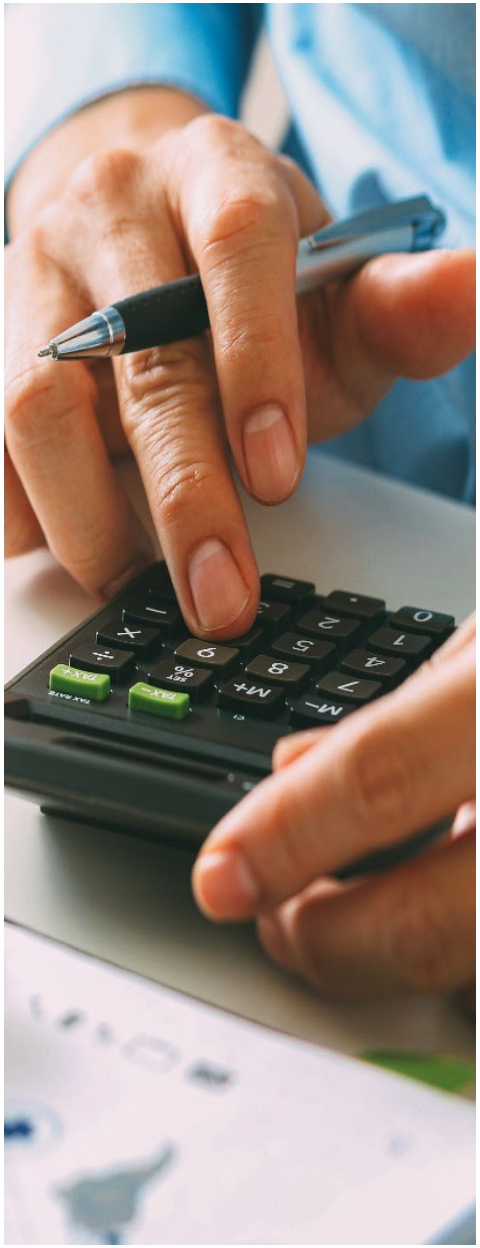
The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
CIES and EFA	The CIES reports a change in the management structure affecting the reported segments reflected in the CIES and the EFA. This change has a material impact on the current year and so the prior year comparatives should be restated to remain comparable. The CIPFA Code 3.4.2.32 states that if the LA changes the presentation or classification of items in its financial statements, the LA shall reclassify comparative amounts unless reclassification is impracticable. The reclassification of services within directorates constitutes such a reclassification which requires restatement of prior year comparatives. The CIES and EFA prior year comparatives will be restated to present the performance as though Education Services was classified within the People Directorate in 2021/22, as well as 2022/23.	✓
Statement of Accounting Polices	It has been identified that the Council have noted that they do not accrue for income and expenditure of non-system generated accruals under £50,000. Upon challenge and from our testing, we have noted that this is incorrect and the deminimis level should be £1,000 for revenue and £6,000 for capital items. The Council have agreed to update their accounting policies to reflect this. The Council has also expanded the depreciation policy for Surplus Assets to clarify that depreciation is not charged on these land assets.	✓
Note 1 – Expenditure and Income Analysed by Nature	The Council has removed the segmental income table as this is not required by the CIPFA Code.	✓
Note 2 – Adjustments between accounting basis and funding basis under regulations	The Capital Fund has been incorrectly disclosed in the MIRS and in Note 2. This should only be disclosed within Note 7 – Earmarked Reserves. Given the trivial value of £0.2m, the Council will not amend the 2022/23 financial statements but will rectify from 2023/24.	X
Note 8 – Property, Plant and Equipment	As within Appendix B, the Council has completed a review of assets held at nil net book value and has identified assets with a gross book value of £24m to be removed from the note. This impacts the gross book value and gross accumulated depreciation and has no impact on the closing balances of PPE.	✓
Note 8 - Property, Plant and Equipment	This note did not provide a clear distinction between revaluation movements taken to the CIES and revaluation movements taken to the revaluation reserve, as required by the CIPFA Code. The Council has amended the note to separately show these movements, and these now agree to the unusable reserves disclosures. The revaluations table has also been updated for the assets held at current value. The Council has added additional narrative to clarify that the assets disclosed within Note 9 are also disclosed within Note 8, and that these do not represent separate, distinct balances.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 13 – Financial Instruments	The financial liabilities table incorrectly included the annual leave accrual of £9.7m. As per the CIPFA Code, the annual leave accrual does not meet the definition of a financial instrument. The Council has also made minor amendments to wording in the note, relating to financial instruments held at cost and equity investments, and has amended the figures to ensure consistency across the financial statements. The classification of Cash and Cash Equivalents has also been updated to reflect the nature of the asset.	✓
Note 26 – Assumptions made about the future and other major sources of estimation uncertainty	This note has been amended to include additional detail of treasury investments to provide more information to readers of the financial statements.	✓
Note 28 – Critical judgments in applying accounting policies	The Council has removed an item relating to schools, which we did not consider a judgement, but an application of the required accounting treatment.	✓
Note 36 – Exit Packages	The note has been amended to clarify the number and value of exit packages recognised during the year.	✓
Note 37 – Pension Schemes	The reversal of net charges to the CIES for the Firefighters Pension Scheme was not consistent with other disclosures within the financial statements. The Council has updated notes 2, 20 and 37 to reflect the correct reversal charge to the CIES and general fund within the MIRS. We are satisfied that the disclosures are now compliant with accounting standards.	✓
Note 38 - Pooled Budgets	The Council has updated the note to consider updated guidance. We are satisfied that the revised disclosure note is compliant with the Code and that the Council have updated their accounting policies accordingly.	✓
Note 39 – Coventry and Warwickshire Business Rates Pool	The Council has amended the wording within the note to include additional detail of the accounting treatment and how this affects the financial statements.	✓
Note 40 – Related Parties	The Council has updated disclosures to give users more details regarding Group entities.	✓
Review of the financial statements	The Council has updated elements of narrative and disclosures throughout the financial statements to help improve understanding for a reader.	✓

D. Audit Adjustments (continued)



Impact of unadjusted misstatements

Our audit testing has not identified any unadjusted misstatements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Reason for not adjusting
Adjustments between accounting basis and funding basis under regulations The Council's policy on valuation movements of assets measured at fair value through profit and loss recognises these movements in the Financial Instruments Revaluation Reserve. As per the CIPFA Code, this is not appropriate as only valuation movements of assets measured at fair value through other comprehensive income should be taken to the Financial Instruments Revaluation Reserve. The amount for this disclosure error is £2m.	No impact	Dr – Financial Instruments Revaluation Reserve 2,000 Cr – Pooled Investments Funds Adjustment Account (2,000)	No impact	Immaterial to the results of the Council and its financial position, however this policy will be changed from 2023/24.
Overall impact	**£0**	**£0**	**£0**	

Impact of prior year unadjusted misstatements

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

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

E. Fees and non-audit services

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

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

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

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

To date, the total fees billed are £95.4k for audit and non-audit services. All additional fees are subject to PSAA approval; therefore, the final financial statements will state the amount of £130,070.

E. Fees and non-audit services

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

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

The fees relating to the Certification of Teachers Pension Return agrees to the financial statement.
The fees relating to the CFO Insight Subscription is disclosed as £8,000 per the financial statements. The difference in fee is considered immaterial to the Council, therefore will not be adjusted.

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the ‘engagement team’ to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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Audit and Standards Committee

14 March 2024

External Auditors Report – Warwickshire County Council 2023/24 Annual Audit Plan

Recommendation

That Audit and Standards Committee considers and comments on the Annual Audit Plan for 2023/24 from the External Auditors, attached at Appendix 1.

1. Purpose of the Report

1.1. Our external auditors, Grant Thornton, have written to the Council, identifying the audit plan and the audit fees for the County Council in respect of the 2023/24 financial year, together with the rationale and scope for those fees. This document is brought to the Committee for comment each year.

1.2. The Audit Engagement Manager will attend the meeting to present the report attached at **Appendix 1**.

2. Financial Implications

2.1. The proposed Audit Fee for 2023/24 is **£294,885**. This represents an increase of £154,815 (110.5%) from the fee for 2022/23 (£140,070).

2.2. The audit fee has been discussed with the Director of Finance and the advice to the Committee is that the fee is accepted.

2.3. Members are asked to note that the fee level assumes that the Council will:

- Prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit;
- Provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing he financial statements;
- Provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.
- Maintain adequate business processes and IT controls, supported by appropriate IT infrastructure and control environment.

2.4. If we do not meet these requirements the fee may increase. We have complied with these assumptions in previous years and continue to have a regular dialogue with the auditors throughout the year that enables discussion of issues that arise at the time. Therefore, at this point in time, we do not expect to incur any additional fees.

3. Environmental Implications

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

4. Background Papers

4.1. None.

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Elected Members have not been consulted in the preparation of this report.

Warwickshire County Council audit plan

Year ending 31 March 2024

March 2024

Contents

Your key Grant Thornton team members are:

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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 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.

Key matters

National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food, and fuel, is pushing many households into poverty and financial hardship, including those in employment. The cost of living crisis, nationally, is putting an increased demand onto local governments, but recent political changes have seen an emphasis on controls on spending, which, in turn, places pressure onto public services to manage within their limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the substantial rise in energy bills, pay demands, agency costs, and the overall cost of living crisis. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households' long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures, such as increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy-saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction, such as new roads, amenities, and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our repot About time? In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

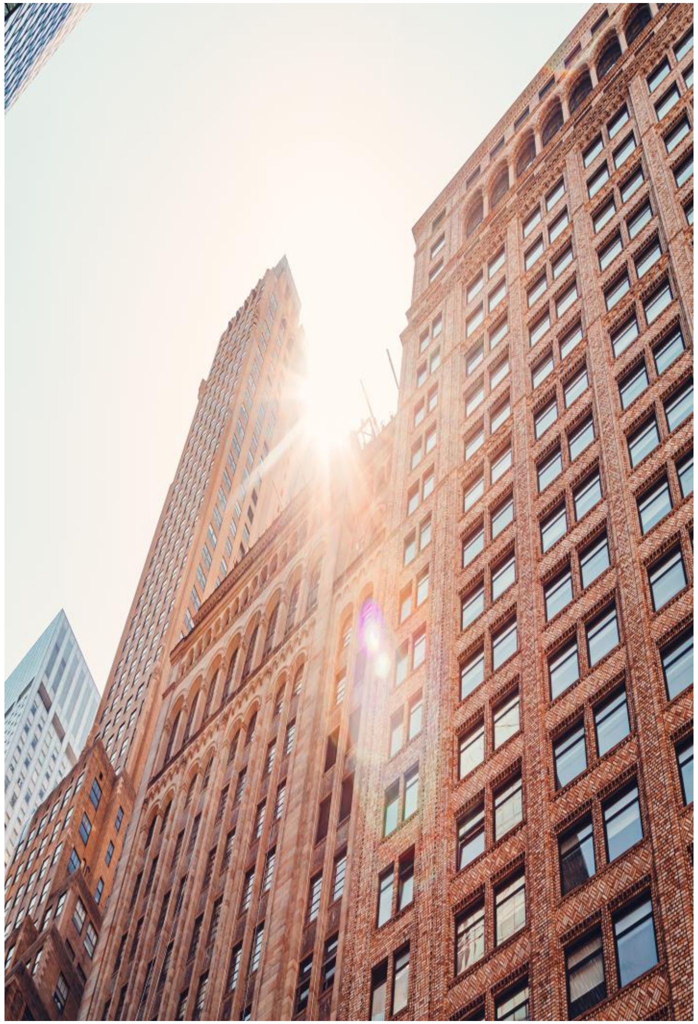
In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Executive Director for Resources.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site and remotely with you and your officers. Please confirm if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Executive Director for Resources quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Standards Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. Should the NAO revise the VFM code during 2023/24, these areas of focus may change and this line may need amending for different emphases.
- We will continue to provide you and your Audit and Standards Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Standards Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 9.

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwickshire County Council Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Warwickshire County Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of the net defined pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £17m (PY 17m) for the Council, which equates to 1.5% of the prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.850m (PY £0.850m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning visit will take place from January to March and our final visit will take place from July to December. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £294,885 (PY: £140,070) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

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
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council 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 will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied, made by management, and consider their reasonableness regarding corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates, or significant unusual transactions
Valuation of land and building	The Council revalues its land and buildings on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We, therefore, identified valuation of the Council's land and buildings as a significant risk.	We will: • Evaluate management's processes and assumptions for the calculation of their estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluate the competence, capabilities, and objectivity of the valuation expert • Write to the valuer to confirm the basis on which the valuation was carried out • Engage our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report, and the assumptions that underpin the valuation • Test revaluations made during the year to see if they have been input correctly into the Council's asset register

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the net defined benefit pension fund liability	The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statement. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS19 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 IAS19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS19 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, life expectancy) can have a significant impact on the estimated IAS19 liability. We have, therefore, concluded that there is a significant risk of material misstatement in the IAS19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have identified valuation of the Council's pension fund net liability as a significant risk.	We will: • Update our understanding of the processes and controls put in place by management and ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of associated controls • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assess the competence, capabilities, and objectivity of the actuary who carried out the Council's pension fund valuation • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Test the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by the reviewing report of the consulting actuary (as auditors' expert) and performing any additional procedures suggested within the report • Obtain assurances from the auditor of Warwickshire Pension Fund as 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

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in revenue recognition (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Warwickshire County Council.	No detailed audit procedures proposed
The expenditure cycle includes fraudulent transactions (rebutted)	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets. Having considered the risk factors relevant to the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. 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 above.	No detailed audit procedures proposed

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Council's financial statements, which resulted in 5 recommendations being reported in our 2022/23 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	**Lack of journals authorisations** From our review of the journals control environment, we have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Council's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. This is consistent with prior year findings.	The Council should introduce controls to ensure that each journal posted to the ledger is appropriately authorised by someone more senior to the poster. **Management response** There were over 239,000 journals posted in the financial system in 2022/23. Journal postings to the WCC ledger do not require second user approval or authorisation. We remain satisfied that there are sufficient mitigating controls, including restrictions of journal posting access to mitigate the risk of the financial statements being materially misstated management override of controls. In January 2024, the financial system has transferred from its current on-premises setup to a cloud-based solution. Internal audit and Strategic Finance are actively engaged in the project. Through this involvement we will be able to monitor and assess any impact on the journal types and assess whether any further controls are needed.

Controls

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

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	**IT general controls audit** 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: - Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. Two other improvement recommendations were identified in relation to the password settings not compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.	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. **Management response** For Unit4 and YourHR the password functionality uses Single Sign on. This method uses an individual's Active Directory user ID and password and, if necessary, uses Microsoft Authenticator as a Dual Factor Authentication. All Active Directory accounts require passwords to meet strict complexity rules. The Authority has processes and procedures in place that ensure that Active Directory Accounts are closed down in a timely manner, which in turn ensures the same levels of control are cascaded to Unit 4 and YourHR as soon as IT are aware. We will review the guidance for managers for when an employee leaves to make sure the need to inform IT promptly is highlighted.
Medium	**Review of the asset register** We have identified that the Council has a large number of assets within their fixed asset register which are held at nil net book value. The gross book value of these assets is £37.8m and whilst there is no impact on the balance sheet, this does increase the gross book value and accumulated depreciation values. Given that this balance is material, upon testing to see if these assets existed, it has been noted that many items had been disposed/ derecognised over the years. The Council have undertaken an exercise to remove the assets that do not exist from their asset register, however there are still assets which the Council are unsure of. Whilst the residual balance is not material, there is the risk that the gross values within the PPE note are inflated.	We recommend that the Council undertakes a full review of their asset register and to remove items which are no longer in use to ensure that the PPE note is materially accurate. **Management response** We have already put in place changes to our processes and procedures in response to this finding. Instead of asking managers whether they have disposed of any assets in the year we will in future provide them with a list of assets and ask them to positively confirm the asset is still in use within the Service. We will then update the asset register in light of managers' responses.

Controls

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

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	**Completeness of declaration of interests** Our testing of related parties via a search of Companies House identified a directorship of a member that was not declared or disclosed. Although we are satisfied that no transactions took place with the Council, incomplete declarations of interest lead to the risk that the Council does not understand its related parties.	We recommend that at least once per year, the Council should undertake a completeness review of related parties including: • Ensuring all disclosure returns are received from senior management and members, including nil declarations and from those that leave their role during the year. • Undertaking searches on Companies House to identify any undeclared directorships. Management response Democratic Services require all Members to review their register of interests declaration at least on an annual basis and this forms basis of the disclosure in the accounts. Going forward, to ensure that disclosures are captured we will continue to follow-up any missing declarations and supplement this by a Companies House search.
Low	**Accurateness of the valuation methodology** For assets valued using the depreciated replacement cost (DRC) basis, one of the key inputs into the valuation is the build cost per square metre, taken from national data ranges adjusted for local factors. When determining the value an asset, the valuer is required to use their judgement when considering an appropriate build cost to use, based on the nature and type of the asset. Whilst we are satisfied that the appropriate type of build costs have been applied to each asset, the valuer has used the mean build cost for every asset. We believe that the valuer should consider the range of data available and tailor the build cost used for each asset based on the condition of the building.	We recommend that the Council should challenge and review the build costs applied by their Valuer as part of their valuations on an annual basis. Management response As part of our quality assurance of the information provided by the valuer we will continue to require our valuer to comment as to why the build cost used is appropriate for the nature and type of asset.

Controls

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

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.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £17m which equates to 1.5% of your prior year gross expenditure for the year.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We will audit to the disclosed figure (senior officer remuneration), taking into account the heightened public interest into this area of the Council's accounts, with no specific materiality. We will consider any errors found on a qualitative basis.
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit and Standards Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.85m (PY £0.85m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to Audit and Standards committee to assist it in fulfilling its governance responsibilities.

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso (Unit4)	Financial reporting	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment
iTrent/ YourHR	Payroll and HR	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment
Altair	Pensions administration	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment
Active Directory	Domain Controller	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics and team

Planning and risk assessment

Audit and Standards committee
March 2024
Audit Plan

Year end audit
July-December 2024

Audit and Standards committee
28 November 2024
Audit Findings Report and Audit Opinion

Audit and Standards committee
28 November 2024
Auditor's Annual Report

Jaskaran Notta, Audit In-charge

Key audit contact responsible for the day-to-day management and delivery of the audit work. Jas will lead the on-site team, monitor deliverables and manage our query log – ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Harkamal Vaid, Audit Manager

Hark will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. He will attend Committee meetings with Avtar and supervise Jas in leading the on-site team. Hark will undertake reviews of the team's work and draft clear, concise and understandable reports.

Avtar Sohal, Key Audit Partner

Avtar will be the main point of contact for the Chair, Executive Director for Resources and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Avtar will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed, due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit, due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 3 and 4)
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Warwickshire County Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £275,585.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/'

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

	Proposed fee 2023/24
Warwickshire County Council	£275,585
ISA 315	£12,550
Auditor's valuation expert	£6,750
Total audit fees (excluding VAT)	£294,885

Previous year

In 2022/23 the scale fee set by PSAA was £85,920. The actual fee charged for the audit was £140,070.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

> “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet‘ by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council’s systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx (publishing.service.gov.uk)]

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other service is provided by Grant Thornton:

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

This service provided is not subject to a contingent fee.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers Pension Return	12,500	Self-Interest, Self Review, Management (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £294,885 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. We have also not prepared any elements of the return and are carrying out work on information submitted by the Council. The scope of our work does not include making any decisions on behalf of management of recommending a particular course of action. We will perform this engagement in line with the Reporting Accountant Guidance issued by Teachers Pension. These factors all mitigate the perceived self-interest, self-review and management threats to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Audit and Standards Committee

14 March 2024

Final Audit Findings Report for 2022/23 Pension Fund Accounts

Recommendation

That the Audit and Standards Committee notes and comments on the Audit Findings Report for 2022/23 Pension Fund Accounts attached at Appendix 1.

1. Executive Summary

1.1 The Pension Fund Accounts were presented to Council for approval on 19th December 2024. The external auditors have completed their final enquiries and the accounts have been finalised and published. This report presents the final audit findings report (Appendix 1) and a copy of the final accounts (Appendix 2).

1.2 In summary, the accounts are unqualified, and the findings provide assurance that the financial statements give a true and fair view, have been properly prepared, are appropriately prepared on a going concern basis and are free from material misstatement due to fraud or error.

1.3 The final Audit Findings Report updates (Appendix 1 pages 27-28 “audit adjustments”) mainly relate to:

- Note 5 – additional disclosures in respect of property assets.
- Note 6 – additional commentary regarding events after the reporting date.
- Note 11 and Note 32 – amended recording of management expenses.
- Note 19 – updated headings for analysis of significant investments.
- Note 24 – nonmaterial disclosure discrepancy.
- Note 26 – updated information in respect of currency risk.
- Note 33 – updated commentary and amended figure.

1.4 Other updates are summarised below:

- Pension Fund Account Net Return on Investment updated from £15.5m to £14.6m, Profit and Loss on Disposal of Investments updated from £79.9m to £80.7m (Net Assets stay the same at £2,750.5m)
- Note 23 Net Gains and Losses on Financial Instruments- updated from £37.9m to £37.0m to reconcile to the Pension Fund Account.

- Minor updates to presentation and / or descriptions in Notes 14, 16, 22, 19, 24, 25.

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.

Appendices

1. Appendix 1 – Grant Thornton Audit Findings Report 2022/23
2. Appendix 2 – Final Warwickshire Penson Fund Statement of Accounts 2022/23

Background Papers

None.

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Elected Members have not been consulted in the preparation of this Report.

Grant Thornton

The Audit Findings Report for Warwickshire Pension Fund

Year ended 31 March 2023

Contents

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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.

These Audit Findings present the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Standards Committee.

Avtar S Sohal

Name: Avtar Sohal
For Grant Thornton UK LLP
Date: 26 January 2024

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 2023 for the attention of those charged with governance.

Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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 remotely and partly on-site during September-November. Our findings are summarised on pages 5 to 17. We have identified no adjustments to the Pension Fund's reported financial position but have identified one unadjusted misstatement which indicates a net asset understatement of £9.857m. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow-up of recommendations from the prior year's audit are detailed in Appendix C.

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

- Receipt of management representation letter {see appendix G}; and
- Review of the final set of financial statements.

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

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete. A draft opinion and letter of representation will be shared with management and agreed for inclusion of the final version of the report to coincide with conclude of the 2022/23 audit of the Administering Authority

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. We propose to issue our 'consistency' opinion of the Pension Fund Annual Report on publication of the Council's audited financial statements. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the Administering Authority until this work has been completed.

1. Headlines

National context – audit backlog

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

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

We would like to thank everyone at the Pension Fund for their support in working with us – the audit team has worked constructively with the Pension Fund to resolve any delays and to issue a timely audit opinion.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hymans Robertson LLP, and showed that that the solvency funding level is 100% therefore the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable which is an improvement from 92% in the 2019 valuation. The results of the latest triennial valuation are reflected in Notes 27 and 28 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of 25 items and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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 will be discussed with management and the Audit 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.

For Warwickshire Pension Fund, the Audit/ Pension Committee fulfil the role of those charged with governance. Where Audit Committee is TCWG and there is a separate Pension Committee- include some further commentary e.g. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

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; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 30 November 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 on 20 July 2023.

We set out in this table our determination of materiality for the Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	41,500,000	Materiality for the Pension Fund was set at 1.5% of prior year gross 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	31,125,000	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 on a number of factors: • We are not aware of a history of significant deficiencies in the control environment; • There has not historically been a large number or significant misstatements arising; • Senior management and key reporting personnel has remained stable from the prior year audit; • There is not a significantly increased number of accounting issues that require significant judgment compared to prior years; and • The entity operates from one location in the United Kingdom. We do not therefore consider that this generates additional aggregation risk.
Trivial matters	2,075,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.
Materiality for fund account	11,000,000	As per the updated GT guidance for 22/23, we have determined transactions within the Fund Account as items requiring greater precision and where we will apply a lower materiality level, as these are considered a key area of focus for users of the financial statements which is not directly derived from the investment portfolio. We have set a materiality of £11m which is equivalent to 10% of expenditure in 2021/22. We will apply this to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole should be applied.

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 override 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.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high-risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 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. In addition, we have concluded that there are no indications of management bias in estimates included in the financial statements. **From our work we have identified two control recommendations:** 1) We have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Pension Fund's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. 2) We have noted that the Pension Fund was unable to provide sufficient supporting evidence for a number of journals processed during the year that were selected as part of our journals testing. We understand that a key driver of being unable to provide sufficient evidence was that several members of staff had left during the financial year, resulting in a loss of corporate memory. As a consequence, a large number of journals posted by staff that had subsequently left the Fund were reversed at year-end so that appropriately evidenced transactions could be recorded in their place. We recommend that the pension fund puts in place controls so that any journal posted is appropriately backed up by supporting evidences, which are readily available to both management and auditors as required. Whilst we were able to gain assurance that no management override of control had occurred, there is a risk that fraudulent or erroneous journals could be posted into the general ledger. These have both been reported in Appendix B.

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**
Fraud in revenue recognition (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumptions also applies to expenditure	Conclusion: Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwickshire Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore, at the planning stage we did not consider this to be a significant risk for Warwickshire Pension Fund. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision
Fraud in expenditure recognition (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 an entity that is required to meet financial targets. Having considered the risk factors relevant to Warwickshire Pension Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply.	Conclusion: At the planning stage we did not consider this to be a significant risk for Warwickshire Pension Fund. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

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 judgmental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year-end.

Management utilises the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.

We therefore identified the 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 2023 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 2023 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 the design effectiveness of internal controls.

Conclusion

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

However, the total net difference between independent third-party confirmations received as at 31/03/2023 and the financial statements for Level 3 investments is £9.857m. 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 2022/23. 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 D for the attention of those charged with governance and seek specific representation for management's decision to not amend the accounts.
The variance in the net asset statement is an understatement of £9.57m.

The Pension Fund have made a prior period adjustment to an investment held with Threadneedle of £127.04m, which has been reclassified from a level 2 to level 3 investment within the 2022/23 draft financial statements, with an adjustment to the prior year comparator figure. Upon testing this balance, we have determined that this should be classified as a level 2 investment given that there are observable market inputs which we have agreed to independent sources. This should both be reclassified to level 2 in the year current year and reversed within the prior year comparator figure. This will impact Note 24 which shows the split between the different levels of investments however does not impact the overall net asset statement.

We have also noted prior period adjustment has been noted within the 2022/23 draft financial statements for an investment with Schroders for £132.67m which has been incorrectly classified as a level 2 investment in the prior year. The Pension Fund have noted that there are no observable market inputs so that this should be classified as a level 3 investment. From our testing completed, we are in agreement with this, therefore note that the 2021/22 comparative figures have been correctly updated.

These have been reported as disclosure misstatements in Appendix D.

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
IT Audit 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: • Agresso • Altair • YourHR (iTrent) • Active Directory	Our review identified the following new deficiency: • Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. Two other improvement recommendations were identified in relation to the password settings not being compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.	See appendix B where this has been reported as a control deficiency. In respect of the new risk identified, we have considered this in our response to the significant risk of management override of controls and have not noted any instances whereby have posted inappropriate journal entries to the ledger. We have also not identified any actual or suspected instances of management override of control. A separate audit findings report has been issued to management in respect of our IT general controls audit with recommendations which the Council and Pension Fund should consider for future periods.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £611.4m	The Pension Fund have investments in infrastructure (£189.8m), private debt (£104.2m), private equity (£204.9m), and pooled property (£239.6) that in total are valued on the balance sheet as at 31 March 2023 at £738.5m. Management receives 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 managers will periodically attend the committee which provides the opportunity for officers and members to challenge any unusual movements or assumptions. No alternative assumptions are considered by management, who place reliance on the fund managers as experts. The investments are not traded on an open market and the valuation of the investments is 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. The value of the investments has increased by £316.6m in 2022/23 primarily driven by increases in private equity and infrastructure.	• We are satisfied that management's experts, the various fund managers, are competent, capable and objective • We obtained direct confirmation from fund managers of the investment value at the year-end, as noted on page 9 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 the 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 2023. 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	● 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
Level 2 Investments – £2046.7m	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 2023 at £1,919.7m. Management receives 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 managers will periodically attend the committee which provides the opportunity for officers and members to challenge any unusual movements or assumptions. No alternative assumptions are considered by management, who place reliance on the fund managers as experts. In order to determine the value, management's experts utilise prices where published and net asset value (NAV). The value of the investments has decreased by £376.3m in 2022/23 primarily driven by decreases in pooled investments.	• We are satisfied that management's experts, the various fund managers, are competent, capable and objective • We obtained direct confirmation from fund managers 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 the 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 identified that the investment with Threadneedle of £127.037m has been incorrectly reclassified to Level 3 investments when this is a Level 2 investment due to there being observable market inputs which we have been able to agree with the investments back to independent sources. This will impact Note 24 which shows the split between level 2 and level 3 however does not impact the overall net asset statement. • 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

Actuarial present value of promised retirement benefits - £154m

Summary of management's approach

The Pension Fund's net pension asset at 31 March 2023 is £154m (PY £949m net pension liability). 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 2022. Given the significant value of the net pension fund asset, 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.

Audit Comments

- 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	4.75%	4.75%	●
Pension increase rate	2.95%	2.95% to 3.00%	●
Salary growth	3.95%	Assumption expressed relative to CPI at formal funding valuation. Typically assumption will be between CPI and CPI + 1.0% p.a.	●
Life expectancy – Males currently aged 45 / 65	22.6 / 21.8	Baseline in line with 2022 valuation. Club Vita model (Male & Female) Improvements: CMI 2021, 2020 and 2021 weight parameters of 10%, 7.0 smoothing factor (Sk), additional initial improvements (A) of 0.25% p.a., and 1.5% p.a. long-term rate.	●
Life expectancy – Females currently aged 45 / 65	26 / 24.4		●

- 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

Assessment

●

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: Information Technology

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

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Unit 4	ITGC assessment (design and implementation effectiveness only)	🟠	🔴	⚫	⚫	User access within Agresso is not revoked in a timely manner	We have considered this in our response to the significant risk of management override of controls and have not noted any instances whereby have posted inappropriate journal entries to the ledger.
iTrent/ YourHR	ITGC assessment (design and implementation effectiveness only)	🟠	🟠	⚫	⚫	1. Password settings not compliant with password policy 2. Lack of formal review of the YourHR iTrent Service Auditor Report	We have considered as part of our overall control environment assessment in response to the significant risk of management override of controls and have not noted any instances whereby have posted inappropriate journal entries to the ledger
Altair	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	⚫	⚫	None identified	N/A
Active Directory	ITGC assessment (design, implementation and operating effectiveness)	🟢	🟢	⚫	⚫	None identified	N/A

Assessment

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

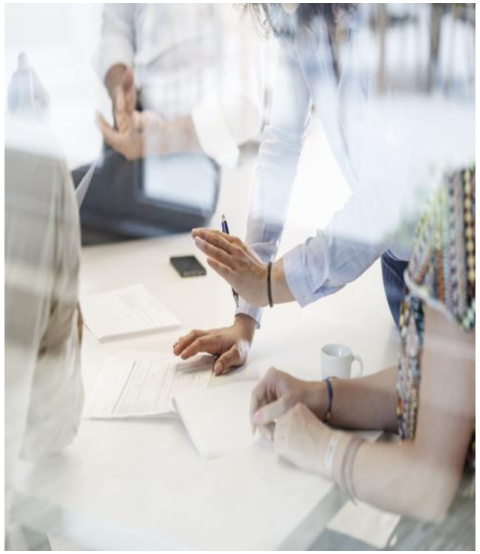
2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee and not been made aware of any other incidents in the period. In addition, no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We have raised a recommendation in relation to the Pension Fund's process for identifying related parties – this is shown within Appendix B.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the 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 their bank providers. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions, see Appendix D for disclosure changes proposed as a result of audit procedures performed.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by Warwickshire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. To date, no material inconsistencies have been identified. As the Council's audited financial statements are not published at this stage, we have not concluded on this work.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. As the Council's audited financial statements are not published at this stage, we have not concluded on this work. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report on publication of the Council's audited financial statements. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. To date, we have nothing to report on these matters.



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	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: • 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. 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: • 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. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • 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.

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

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

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. No 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. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees for 2021-22	Fees for 2022-23	Threats identified	Safeguards
Audit related				
IAS19 Assurance letters for Admitted Bodies and Triennial Testing	£8,000	£14,800	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 small in comparison to the total fee for the audit 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.

Grant Thornton UK LLP is also the auditor of Warwickshire County Council, and the services provided to the Council are disclosed in the Council's audit findings report.

3. Independence and ethics

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

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

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation – presented as a separate report

H. Audit opinion – presented as a separate report

A. Communication of audit matters to those charged with governance

Our communication plan	**Audit Plan**	**Audit Findings**
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

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

B. Action Plan – Audit of Financial Statements

We have identified 5 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**Lack of journals evidence** The Pension Fund was unable to provide sufficient supporting evidence for a number of journals processed during the year that were selected as part of our journals testing. We understand that a key driver of being unable to provide sufficient evidence was that several members of staff had left during the financial year, resulting in a loss of corporate memory. As a consequence, a large number of journals posted by staff that had subsequently left the Fund were reversed at year-end so that appropriately evidenced transactions could be recorded in their place. Whilst we were able to gain assurance that no management override of control had occurred, there is a risk that fraudulent or erroneous journals could be posted into the general ledger.	We recommend that the pension fund puts in place controls so that any journal posted is appropriately backed up by supporting evidences, which are readily available to both management and auditors as required. The Fund should also have contingency plans for staff turnover to enable continuity of oversight over journal postings. **Management response** Will put in place a documented journals policy and procedure note to ensure that all journals are reviewed, have evidence and approved before posting to the system. Training for staff on journal policy and procedure.
Medium	**Lack of journals authorisations** From our review of the journals control environment, we have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Pension Fund's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. This is consistent with prior year findings as noted in Appendix C.	The Pension Fund should introduce controls to ensure that each journal posted to the ledger is appropriately authorised by someone more senior to the poster. **Management response** Will put in place a documented journals policy and procedure note to ensure that all journals are reviewed, have evidence and approved before posting to the system. Training for staff on journal policy and procedure.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**IT general controls audit** 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: - Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. Two other improvement recommendations were identified in relation to the password settings not compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.	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. **Management response** To be confirmed.
Medium	**Completeness of declaration of interests** Our testing of related parties via a search of Companies House identified a directorship of a member that was not declared or disclosed. Although we are satisfied that no transactions took place with the Pension Fund, incomplete declarations of interest lead to the risk that the Pension Fund does not understand its related parties.	We recommend that at least once per year, the Pension Fund should undertake a completeness review of related parties including: • Ensuring all disclosure returns are received from senior management and members, including nil declarations and from those that leave their role during the year. • Undertaking searches on Companies House to identify any undeclared directorships. **Management response** We will liaise with Committee Services to ensure that disclosures are captured and add actions to the Pension Fund close down time table to check that we have all disclosure returns and undertake a Companies House search.
Low	**Reconciliation of the purchase and sale of investments** The Pension Fund were unable to reconcile the purchases and sale of investments throughout the year, from the report provided by their Custodian to those provided from Fund Managers. Whilst we were able to gain assurance over the closing balances of the investments, there is the risk that the Pension Fund may omit transactions from their disclosure note.	The Pension Fund should complete a reconciliation of the purchases and sale of investments at year end to ensure that their disclosure note is accurate and agrees to the information provided by the Custodian and Fund Managers. **Management response** We will add this reconciliation to the close down timetable.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Warwickshire Pension Fund's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented one of three recommendations and partially remedied the other.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Journals review and approval** Currently, there are no review and approval mechanisms in place in respect of journal postings to the ledger i.e. where an individual has appropriate access, they are able to do this without any independent review or segregation of duties. It should be noted that this does not reflect a change in the business processes of the Pension Fund and this is consistent with prior periods but rather, is being highlighted due to a change in our approach to journals testing. 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.	Journals are entered by a colleague other than the Senior Pension Fund Accountant, and therefore there is an independent review of material items when the accounts are checked. **GT Comments:** This has been reported as a control deficiency in the 2022/23 audit within Appendix B.
X	**Contributions** 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. 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.	The Fund is in the process of putting in place a requirement to communicate any differences between expected and received payments with Employers within two months of the discrepancy. **GT Comments:** Although the same applies in the 2022/23 audit, this was not material.
X	**IT general controls audit** 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: • 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.	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. 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. Across all core IT systems regular reviews of access and associated privileges are carried out.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

No adjusted misstatements have been identified from our audit

Impact of unadjusted misstatements

The table below provides details of adjustments identified to date during the 2022/23 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 As per page 9, we have noted an adjustment in respect of the movement in market value of Level 2 and Level 3 investments in Q4 2022/23	(9,857)	9,857	9,857	Immaterial to the financial position and performance of the Fund
Overall impact	(£9,857)	£9,857	£9,857	

Impact of prior year unadjusted misstatements

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

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

D. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure/issue/Omission	**Auditor recommendations**	**Adjusted?**
Annual Report	We have noted some small discrepancies between the annual report and the draft financial statements, including page numbers and some figures which management have agreed to amend.	✓
Review of the financial statements	We have noted a number of typographical errors throughout the draft financial statements which have been agreed to be amended by management	✓
Prior Period Adjustment	A prior period adjustment has been noted within the 2022/23 draft financial statements for an investment with Schroders for £132.67m which has been incorrectly classified as a level 2 investment in the prior year. The Pension Fund have noted that there are no observable market inputs so that this should be classified as a level 3 investment. From our testing completed, we are in agreement with this, therefore note that the 2021/22 comparative figures have been correctly updated with sufficient additional disclosures made, due to the change in classification of investment.	✓
Note 3 - Accounting Policies	Management have updated their accounting policies note to include their policies for Contingent Assets and Liabilities which had not previously been disclosed within the accounts.	✓
Note 5 – Assumptions made about the future and other major sources of estimation uncertainty	The Pension Fund have made additional disclosures with regards to the valuation method for property assets to ensure that the note is compliant with accounting standards. The figures have also been updated within this note to ensure that they are consistent with Note 24 of the financial statements.	✓
Note 6 – Events after the reporting period	Additional financial information disclosures have been made to the note, to provide users of the accounts with the more context of transactions made post year end.	✓
Note 9 – Benefits Payables	The prior year comparative figures within note 9 had not been updated from those in the previous year. Management have agreed to amend this note to map the 2021/22 signed accounts.	✓
Notes 11 – Management Expenses	Within the draft financial statements, management expenses were stated as £20.3m. Upon testing, we have identified that this was incorrect, and the Council have agreed to amend this to £21.1m within the Pension Fund Account and Note 11. Consequently, Note 32 has also been amended for administration expenses which has been updated to £2.4m, which was previously recorded as £1.6m. As a result of this amendment, the Pension Fund have updated their Fund Account, for the figure relating to 'Profit and loss on disposal of investments' by £0.8m. We have noted an inconsistency between the Fund Account and Note 23 by the same amount, which has now been amended. As this difference is above our triviality for the Fund Account, this has been reported as a disclosure/misclassification difference.	✓

D. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure/issue/Omission	**Auditor recommendations**	**Adjusted?**
Note 16 – Reconciliation of movements in investments	We have noted material misclassifications between the purchases and sales of investments in the year within Note 16 for infrastructure and private debt assets. These have no impact on the closing balances, however have been agreed to be amended by management to ensure that the note is not materially misstated. The title of an investment has also been updated to ensure that it is consistent with note 15.	✓
Note 19 – Investments representing more than 5% net assets of the scheme	The Pension Fund have updated the headings within the current year to ensure that they are consistent with the headings used in the prior year given that the funds have not changed, which provides more transparency to users of the accounts.	✓
Note 24 – Valuation of financial instruments carried at fair value	Note 24 discloses the different investments between the different classes, being level 1, 2 or 3. The figure per this disclosure does not agree to the Investments figure per the Net Asset Statement. Given that we have gained assurance over the investments figure per the net asset statement from our testing, we consider that Note 24 is understated by £5.6m. Management have decided not to adjust Note 24 to reconcile the figures, however this will be recorded as a non-material disclosure error given that this does not impact the primary statements overall net assets figure.	X
Note 24 - Valuation of financial instruments carried at fair value	The Pension Fund have made a prior period adjustment to an investment held with Threadneedle of £127.04m, which has been reclassified from a level 2 to level 3 investment within the 2022/23 draft financial statements, with an adjustment to the prior year comparator figure. Upon testing this balance, we have determined that this should be classified as a level 2 investment given that there are observable inputs which we have agreed to independent sources. This should both be reclassified to level 2 in the year current year and reversed within the prior year comparator figure. This will impact Note 24 which shows the split between the different levels of investments however does not impact the overall net asset statement. Management have agreed to amend the financial statements.	✓
Note 26 – Nature and extent of risks arising from financial instruments	The note has been updated to provide more details on currency risk to disaggregate the disclosure across key currencies given that they could have a material impact. There has also been a minor amendment to the sensitivity analysis for consistency across the accounts.	✓
Note 33 – Contingent Liabilities	The Pension Fund have included disclosures relating to their Capital Commitments within this note, therefore we have requested for management to update the name of the note to make this clearer to uses of the accounts. Upon testing the Capital Disclosures element of the note, we have identified the note is understated by £3.32m. As this is a disclosure note, this has no impact of the primary financial statements. Management have agreed to amend for this error.	✓

E. Fees and non-audit services

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

Audit fees	**Proposed fee**	**Final fee**
Scale Fee	£21,522	£21,522
Valuation of Level 3 Investments	£2,188	£2,188
Impact of ISA 540	£3,600	£3,600
Impact of ISA 315	£3,000	£3,000
Journals testing	£2,000	£2,000
Payroll – Changes of Circumstances employees testing	£500	£500
Pension Fund Audit	£32,810	£32,810
IAS 19 letters for employer body auditors*	£14,800	£14,800
IAS 19 testing of 31 March 2022 triennial review	£0	£3,000
Overrun Fees**	£0	£12,500
Total audit fees (excluding VAT)	**£47,610**	**£63,110**

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

** The quality of the 22/23 financial statements produced for 22/23 was not consistent with prior years, and this has resulted in a number of audited adjustments and this was primarily due to personnel who were originally involved in preparing the financial statements leaving the pension fund before the audit commenced. This has meant that some of the underlying records to support in the financial statements were not readily available, and therefore meant there were a number of delays in completing the audit. The additional fee is subject to approval from PSAA.

Reconciliation to the financial statements:

- Fees per financial statements - £32,810
- IAS19 letters for employer body auditors - £14,800
- Total fees per above as per the audit plan- £47,610

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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Warwickshire Pension Fund

Statement of Accounts

2022/23

We would welcome any comments or suggestions you have about this publication. Please send any comments or suggestions to wpfinvestments@warwickshire.gov.uk

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you.

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

Opinion on financial statements

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 2023, which comprise the 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 2022/23.

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 2023 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 2022/23; 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 Executive 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 Executive 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 2022/23 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 (Revised 2022) 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.

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

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.

Our responsibilities and the responsibilities of the Executive Director for Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Executive Director for Resources is responsible for the other information. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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, 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.

Responsibilities of the Authority and the Executive Director for Resources

As explained more fully in the Statement of Responsibilities for the statement of accounts, 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 Executive Director for Resources. The Executive 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive 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 Executive 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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 management 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.

We enquired of management, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to large and unusual journals posted and any potential management bias in accounting estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals,
- 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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.

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.

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.

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 44 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

Avtar S Sohal, Key Audit Partner

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

Birmingham

Date: 26 January 2024

Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we ensure we carry out these responsibilities properly in line with the Accounts and Audit (Amendment) Regulations 2022 and the Accounts and Audit Regulations 2015.

Responsibilities of the Pension Fund

We do the following:

- make sure that one of our officers is responsible for managing our financial affairs. For the Pension Fund, Warwickshire County Council's Executive Director for Resources (Section 151 Officer) is responsible for this;
- manage our affairs to use our resources efficiently and effectively and to protect our assets; and
- approve the statement of accounts.

Responsibilities of the Executive Director for Resources

As the Executive Director for Resources, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing the Pension Fund accounts, I have:

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates; and
- followed the Chartered Institute of Public Finance and Accountancy's/Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

I have also:

- kept proper accounting records which are up to date; and
- taken steps to prevent and detect fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position as at the 31 March 2023 and the income and expenditure for the year ended 31 March 2023. The unaudited draft accounts were authorised for issue on 25 July 2023. These were audited and approved at a meeting of the Council on 19th December 2023.

Rob Powell
Executive Director for Resources

Date: 25th January 2024

Warwickshire Pension Fund Account

2021/2022			**2022/2023**
£m		**Notes**	**£m**
	Dealings with members, employers and others directly involved in the fund		
(86.7)	Contributions	7	(93.1)
(16.9)	Transfers in from other schemes	8	(12.4)
(103.6)			*(105.5)*
88.9	Benefits payable	9	91.4
8.4	Payments to and on account of leavers	10	9.5
97.3			*100.9*
(6.3)	**Net (additions)/withdrawals from dealing with members**		**(4.7)**
16.1	Management expenses	11	**21.1**
9.7	**Net (additions)/withdrawals including fund management expenses**		**16.4**
	Returns on investments		
(21.5)	Investment income	13	(22.4)
(81.6)	Profit and losses on disposal of investments	23	(80.7)
(113.9)	Changes in the market value of investments	23	117.8
(217.1)	**Net return on investments**		**14.6**
(207.4)	**Net (increase)/decrease in the net assets available for benefits during the year**		**31.0**
(2,574.1)	**Opening net assets of the scheme**		**(2,781.5)**
(2,781.5)	**Closing net assets of the scheme**		**(2,750.5)**

Net Assets Statement

2021/2022			**2022/2023**
£ m		**Notes**	**£m**
1.2	Long-term Assets	15	1.2
2,722.1	Investment assets	15 / 16 / 17	2,662.6
35.1	Cash deposits	15 / 16 / 17	65.2
2,758.4	Total net investments		2,729.0
27.0	Current assets	29	26.5
(3.9)	Current liabilities	30	(5.1)
2,781.5	**Net assets of the fund available to fund benefits at the period end**		**2,750.5**

The Fund's financial statements do not take into account liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Actuary's Statement (Note 28).

Notes to the Warwickshire Pension Fund Accounts for the year ended 31 March 2023

Note 1: Description of Fund

The Warwickshire Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by Warwickshire County Council. Warwickshire County Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Warwickshire Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

The Warwickshire Pension Fund is a defined benefit scheme administered by the Executive Director for Resources on behalf of Warwickshire County Council (the scheme administrator), five district councils and other scheduled and admitted public service organisations and their contractors. Teachers, police officers and firefighters are not included as they come within the remit of other national pension schemes.

The administration of the Fund is carried out through Warwickshire County Council's Staff and Pensions Committee, the Pension Fund Investment Sub-Committee and the Local Pension Board. The committees are comprised of elected County Council members whilst the Local Pension Board comprises an equal mix of representatives of scheme employers and scheme members with an independent chair. The Pension Fund Investment Sub-Committee receives advice and guidance from two independent financial advisors, its investment consultant (Hymans Robertson) and its Scheme Actuary (Hymans Robertson).

The Public Service Pensions Act 2013 included a requirement to establish a Local Pension Board, with responsibility to assist the administering authority to:

- secure compliance with:
  - the LGPS regulations;
  - other legislation relating to the governance and administration of the LGPS; and
  - the requirements imposed by The Pensions Regulator in relation to the LGPS;

- perform an oversight role to ensure the effective and efficient governance and administration of the LGPS.

A Local Pension Board has been in place since February 2015.

b) Membership

Membership of the LGPS is automatic for entitled employees, but employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Warwickshire Pension Fund include:

- scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 223 employer organisations with active members within Warwickshire Pension Fund including the County Council itself, as detailed below.

Warwickshire Pension Fund	31 March 2022	31 March 2023
Number of employers with active members	206	223
Number of employees in scheme		
County Council	8,290	8,494
Other employers	9,592	10,156
Total	**17,882**	**18,650**
Number of pensioners		
County Council	8,888	9,255
Other employers	7,189	7,666
Total	**16,077**	**16,921**
Deferred pensioners		
County Council	11,676	11,956
Other employers	8,694	9,418
Total	**20,370**	**21,374**
Total	**54,329**	**56,945**

c) *Funding*

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Contributions are also made by employers which are set based on triennial actuarial funding valuations. The valuation relevant to the 2022/23 financial year was as at the 31 March 2019 and a revised schedule of employer contribution rates became effective for the three years from 1 April 2020. Employer contribution rates ranged from 0% to 58% of pensionable pay.

d) *Benefits*

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

	Service pre-1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x pension In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. The changes also brought in a 50/50 option allowing members the opportunity to contribute 50% for 50% of the benefit entitlement.

Contributions to the LGPS prior to 1 April 2014 were assessed on full-time equivalent pay and excluded non-contractual elements of pay such as overtime and bonus. However, contributions since 1 April 2014 are assessed on all pensionable pay received including non-contractual elements. In addition, the contribution bandings were extended with many of the higher paid seeing an increase in contributions.

There are a range of other benefits provided under the scheme including early retirement, ill health entitlements and life assurance.

Note 2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. They have been prepared on a going concern basis in accordance with IAS1.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. This is addressed by the Scheme Actuary's triennial valuation.

Accounting standards issued but not yet adopted

The code requires disclosure of any accounting standards issued but not yet adopted and their potential impact on the Fund. The new standards issued but not adopted for 2022/23 are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is too early to say with any degree of certainty what the likely impact of the above issued accounting standards would be, but it is assumed they would not materially impact on the 2022/23 financial statements.

Note 3: Summary of significant accounting policies

a) Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Scheme Actuary in the period to which they relate.

Employer deficit, augmentation and pension strain contributions are accounted for in the period in which the liabilities arise. Any amount due in year but unpaid will be classed as a current financial asset.

b) *Transfers to and from other schemes*

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations (see notes 8 and 10). This is normally when the member liability is accepted or discharged.

c) *Investment income*

i) Interest Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as dividends.

iii) Distributions from managed funds

Distributions from managed funds are recognised at the date of issue. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement.

iv) Profit and losses on disposal of investments

Profit and losses on the disposal of investments are recognised as income and comprise all realised profits/losses during the year.

v) Movement in the market value of investments

Changes in the market value of investments are recognised as income and comprise all unrealised profits/losses during the year.

d) *Benefits payable*

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) *Taxation*

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless an exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require a breakdown of pension fund administration expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs.*

i) Administrative expenses

All administrative expenses are accounted for on an accrual basis. All staff costs of the pensions administration team and associated accounting, management, accommodation and other overheads are apportioned and charged as expenses to the Fund.

ii) Oversight and governance costs

All oversight and governance expenses are accounted for on an accrual basis. All costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

iii) Investment management expenses

All investment management expenses are accounted for on an accrual basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Where these are deducted at source (as opposed to being charged via an invoice) the fee is identified and a journal posted to record the investment management fee and increase the investment income.

g) Investment assets

Shareholder investment in Warwickshire’s LGPS asset pool, Border to Coast Pensions Partnership (the “pool”), is valued at transaction price i.e. cost. The pool’s main trading company, Border to Coast Pensions Partnership Limited, became licensed to trade in July 2018.

The Pension Fund’s view is that the market value of investments in the Border to Coast Pensions Partnership at 31 March 2023 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

All other investment assets are included in the Net Assets Statement on a fair value basis as at the reporting date. An investment asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 24). 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).

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) *Market-quoted investments*
The value of an investment for which there is a readily available market price is determined by the bid market price on the final day of the accounting period.

ii) *Fixed interest securities*
Are recorded at net market value based on their current yields.

iii) *Unquoted investments*
The fair value of investments for which market quotations are not readily available is determined as follows:

- directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or to the management agreement;

- investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager; and

- investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines 2018.*

iv) *Limited partnerships*
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) *Pooled investment vehicles*
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; if single priced, at the closing single price.
In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the Fund net of applicable withholding tax.

h) *Foreign currency transactions*

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) *Cash and cash equivalents*

Cash comprises cash in hand and on demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) *Investment liabilities*

The Fund recognises investment liabilities at fair value as at the reporting date. An investment liability is recognised on the date the Fund becomes party to the liability and these are summarised in Note 15. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Contingent liabilities

Contingent liabilities arise where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed by future events. These are not recognised in the net asset statement but are disclosed by way of narrative in the notes as summarised in note 33.

k) *Actuarial present value of promised retirement benefits*

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. The last triennial valuation was carried out as at 31st March 2022. However, the 31 March 2019 triennial valuation was the one that applied to the 31 March 2023 accounting year end.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 28).

l) *Additional Voluntary Contributions (AVC)*

Warwickshire Pension Fund provides an additional voluntary contributions (AVCs) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Utmost Life and Pensions, and Standard Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 31).

j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term, 'financial instrument' covers both financial assets and financial liabilities and includes financial assets and liabilities such as trade receivables and trade payables.

IFRS 13 Fair Value Measurement - The standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The Fund currently complies with this standard.

Note 4: Critical judgements in applying accounting policies

Pension fund liability

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes.

The McCloud remedy will be implemented in two phases.

Phase one involves moving all remaining active members of legacy schemes (members with protection) into the new schemes on 1 April 2022 so that, going forward, all accruals will be in the new schemes (and so all active members will be treated equally).

Phase two is implementation of the deferred choice underpin. That is, giving eligible members a choice between legacy scheme and new scheme benefits for service between 1 April 2015 and 31 March 2022.

The regulations to implement phase one of the remedy have been made and will come into force on 1 April 2022. Consultations on draft regulations to implement phase two of the remedy will follow, with the aim that they will come into force by 1 October 2023 at the latest. No allowance had been made within the accounts, however the fund actuary has included an allowance for the impact of McCloud in Note 28 within the fund liabilities.

Further legal judgements in force include Goodwin, Walker and O'Brien. Current analysis estimates this to be very small for a typical fund.

Investment in Border to Coast Pensions Partnership (BCPP)

The Fund's shareholding in the asset pool Border to Coast Pensions Partnership Ltd. has been valued at cost, as an appropriate estimate of fair value. The Class A share is valued at £1 and reflects the ownership stake in the company carrying full voting rights, dividend and capital distribution rights, whilst the Class B shares are valued at £1.2m and represent the Fund's contribution to the company's regulatory capital requirement.

Fair value cannot be otherwise established for these assets as there is currently no market for the shares and no identical or similar market to compare to.

After two of the pool's partner funds merged in 2020, the obligation to meet the company's capital requirement were re-allocated between the remaining eleven partner funds. This serves as a precedent that in the event of a future exit from the partnership, the Fund's shares could be disposed of at cost back to the pool and re-issued to the remaining partners.

Border to Coast Pensions Partnership Ltd is intending to trade at a breakeven position (nominal profit or loss) with any values offset against partner funds' future costs. The company's own audited accounts show its shareholder funds to be equal to the regulatory capital invested.

The cost of these shares has therefore been determined as a reasonable and appropriate estimate of their fair value

War in Ukraine

We previously instructed our fund managers, including the local government pension pool, Border to Coast, of which we are one member, to cease investment into Russia and Warwickshire Pension Fund's wish to dissociate itself from all Russian-owned and Russian-controlled investments. Due to the nature of the Russian regime, the Fund does not make a distinction between state and non-state-owned assets.

The Warwickshire Pension Fund's current assessment of Russian/Belarussian holdings is that they make up approximately £380k or 0.01% of the total fund value. No special amendment or adjustment is necessary for the valuation of assets due to the ongoing conflict. Valuations are correctly catered for naturally with all assets valued as at the 31 March 2023 position.

Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts as at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £50m, a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £6m, and a one-year increase in assumed life expectancy would increase the liability by approximately £103m.
Private equity, Infrastructure, Private Debt and Property	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines* 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Other private markets (unlisted) assets are treated similarly. All underlying property valuations are carried out by independent valuation providers on a "Fair Value" basis as defined in the RICS Appraisal and Valuation Manual (Red Book). As buildings are inherently illiquid and the transactional evidence can be scarce there is the potential for a mismatch between the valuation and actual transaction pricing.	The total value of Level 3 investments stands at £611.4m. There is a risk that these investments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The custodian reports a tolerance of +/- 2% around the net asset values on which the valuation is based. This equates to a tolerance of +/- £12.2m.

Note 6: Events after the reporting date

Events from the balance sheet date to the date of authorisation for issue would be reflected as an adjustment to the Statement of Accounts whether favourable or adverse. This would occur where there was provision of evidence that these conditions were in place by the end of the reporting period and that these events were significant to the fair value of the Fund's net assets. Those events taking place after the balance sheet date to the external audit opinion issuance date will be reflected in the statement of accounts. There are no significant events to report.

However, there was a first payment into a new Private Debt Fund (managed by Barings) made on 3rd April 2023 for £30m, which does not affect the figures at the balance sheet date.

There has been volatility in the markets since 31 March 2023. The total Fund Asset valuation as at 30th June 2023 having fallen by £50m due to net losses on investments since 31st March 2023.

Note 7: Contributions receivable

By category

2021/2022		**2022/2023**
£m		**£m**
20.0	Employees' contributions	21.9
	Employer's contributions:	
61.1	Normal contributions	65.5
5.6	Deficit Recovery contributions	5.7
66.7	**Total employer's contributions**	**71.2**
86.7	**Total**	**93.1**

By authority

2021/2022		**2022/2023**
£m		**£m**
43.8	Administering authority	47.9
41.4	Scheduled bodies	43.7
1.5	Admitted bodies	1.6
0.0	Bodies no longer contributing	0.0
86.7	**Total**	**93.1**

Note 8: Transfers in from other pension funds

2021/2022		2022/2023
£m		**£m**
0.0	Group transfers	0.0
16.9	Individual transfers	12.4
16.9		**12.4**

Note 9: Benefits payable

By category

2021/2022		2022/2023
£m		**£m**
70.5	Pensions	74.3
16.0	Commutation and lump sum retirement benefits	14.6
2.4	Lump sum death benefits	2.5
88.9		**91.4**

By authority

2021/2022		2022/2023
£m		**£m**
46.8	Administering authority	49.0
36.7	Scheduled bodies	38.1
4.4	Admitted bodies	4.3
0.9	Bodies no longer contributing	0.0
88.9		**91.4**

Note 10: Payments to and on account of leavers

2021/2022		2022/2023
£m		**£m**
0.4	Refunds	0.3
0.0	Group transfers	0.0
8.0	Individual transfers	9.2
8.4		**9.5**

Note 11: Management expenses

2021/2022		2022/2023
£m		**£m**
1.9	Administration costs	2.4
12.9	Investment management expenses	16.8
1.3	Oversight and governance costs	1.8
16.1	**Total**	**21.0**

This analysis of the costs of managing the Warwickshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments (Note 16 and Note 25).

Note 12: Investment management expenses

21/22 Total		Management Fees	Performance Fees	22/23 Total
£m		**£m**	**£m**	**£m**
3.2	Pooled Investments	3.1	0.0	3.1
1.9	Pooled Property	1.7	0.0	1.7
3.3	Private Equity	4.4	0.3	4.8
3.2	Infrastructure	3.4	1.5	4.9
1.3	Private Debt	1.8	0.4	2.2
0.1	Custody Fees	0.1	0.0	0.1
12.9	**Total**	**14.6**	**2.2**	**16.8**

Note 13: Investment income

2021/2022		2022/2023
£m		**£m**
0.1	*Equity dividends*	*0.1*
5.2	Pooled Property	5.1
3.0	Infrastructure	4.6
1.9	Pooled Equity	1.9
0.9	Private Debt	1.5
9.4	Pooled Fixed Income	6.4
1.2	Private Equity	2.4
21.6	*Managed funds*	*21.9*
0.0	*Interest on cash deposits*	*0.7*
0.0	*Stock lending*	*0.0*
21.6		**22.6**

Note 14: Other fund account disclosures: external audit costs

The external audit fee for 2022/23 was £32,810 excluding VAT. The fee for 2021/22 was £31,060. Audit related services fees in respect of IAS19 assurance for 2022/23 are £14,800 (2021/22: £8,000).

Note 15: Investments

2021/2022		**2022/2023**
£m		**£m**
	Long-term investments	
1.2	Equities	1.2
	Total Long-term investments	**1.2**
	Investment Assets	
2,716.8	Pooled Funds***	2,657.2
971.0	*Pooled Global Equity*	*931.4*
442.4	*Pooled UK Equity*	*416.2*
140.4	*Infrastructure*	*189.8*
83.0	*Private Debt*	*104.2*
197.3	*Private Equity*	*203.7*
273.4	*Pooled Property*	*239.6*
609.2	*Pooled Fixed Income*	*572.3*
35.1	Cash	65.2
5.4	Investment Current Assets	5.3
2,757.2	**Total Investment Assets**	**2,727.8**
	Investment Liabilities	
0.0	Investment current liabilities	0.0
0.0	**Total Investment Liabilities**	**0.0**
2,758.4	**Total net investments**	**2,729.0**

*** This refers to the management structure of the Funds, where the Warwickshire Pension Fund does not directly own the underlying assets.

Note 16: Reconciliation of movements in investments

	Market value 31 March 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2023
	£m	**£m**	**£m**	**£m**	**£m**
Investment Assets					
Equities	1.2	0.0	0.0	0.0	1.2
Pooled Investments	2,716.8	255.3	-271.0	-43.8	2,657.3
- *Private Equity*	*197.3*	*40.9*	*-42.6*	*8.1*	*203.7*
- *Pooled Property*	*273.4*	*7.7*	*-5.9*	*-35.5*	*239.6*
- *Pooled funds (ex Property)*	*2,022.6*	*40.1*	*-103.3*	*-39.7*	*1,919.7*
- *Infrastructure*	*140.4*	113.4	-87.0	*23.0*	*189.8*
- *Private Debt*	*83.0*	53.2	-32.1	*0.4*	*104.4*
Other Investment Balances					
Cash	35.1	136.2	-106.1	0.0	65.2
Net investment current assets	5.4	0.0	0.0	-0.1	5.3
Total Net Investments	**2,758.4**	**391.5**	**-377.1**	**-43.8**	**2,729.0**

	Market value 31 March 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£m	**£m**	**£m**	**£m**	**£m**
Investment Assets					
Equities	1.2	0.0	0.0	0.0	1.2
Pooled Investments	2,496.3	702.4	-672.3	190.3	2,716.8
- *Private Equity*	*175.0*	*25.3*	*-47.1*	*44.1*	*197.3*
- *Pooled Property*	*221.5*	*19.3*	*-13.6*	*46.1*	*273.4*
- *Pooled funds, Unit Trusts & Other Managed Funds*	*1,943.0*	*572.5*	*-578.1*	*85.2*	*2,022.6*
- *Infrastructure*	*72.3*	*65.0*	*-8.7*	*11.9*	*140.4*
- *Private Debt*	*84.5*	*20.3*	*-24.8*	*3.0*	*83.0*
Other Investment Balances					
Cash	48.3	89.3	-102.6	0.0	35.1
Net investment current assets	6.2	0.0	-0.7	-0.1	5.4
Net Investment Assets	**2,552.1**	**791.8**	**-775.6**	**190.1**	**2,758.4**

Note 17: Derivatives

The Fund does not engage in any direct derivative activity however fund managers may make use of.

Note 18: Investments analysed by fund manager

Market value 31 March 2022			Market value 31 March 2023	
£m	**%**		**£m**	**%**
Investments managed by BCPP asset pool				
14.8	0.5	Private Equity	25.1	0.9
61.1	2.2	Infrastructure	102.4	3.8
17.8	0.6	Private Debt	40.3	1.5
378.0	13.7	Global Equity Alpha Fund	392.1	14.4
295.7	10.7	UK Equity Alpha Fund	295.4	10.8
171.7	6.2	Investment Grade Credit	186.0	6.8
250.8	9.1	Multi-Asset Credit	240.9	8.8
0.0	0.0	Legal and General Investment Management (Index Tracker - Global Equities)*	665.2	24.4
0.0	0.0	Legal and General Investment Management (Index Tracker - Fixed Income)*	145.4	5.3
1,189.8	**43.1**	**Total BCPP**	**2,092.9**	**76.7**
Investments managed outside of BCPP asset pool				
0.6	0.0	MFS Investment Management (Global Equities)	0.2	0.0
740.0	26.8	Legal and General Investment Management (Index Tracker - Global Equities)*	0.0	0.0
186.9	6.8	Legal and General Investment Management (Index Tracker - Fixed Income)*	0.0	0.0
145.8	5.3	Columbia Threadneedle Investments (Property)	127.0	4.7
132.3	4.8	Schroder Investment Management (Property)	120.0	4.4
182.5	6.6	HarbourVest (Private Equity)	178.5	6.5
23.8	0.9	Standard Life Capital (Infrastructure)	27.4	1.0
55.6	2.0	Partners Group (Infrastructure)	59.9	2.2
39.1	1.4	Alcentra (Private Debt)	42.1	1.5
25.9	0.9	Partners (Private Debt)	21.8	0.8
35.0	1.3	BlackRock (Cash)	57.9	2.1
1.2	0.0	BCPP Shareholding	1.2	0.0
1,568.6	**56.9**	**Total Outside BCPP**	**636.1**	**23.3**
2,758.4	**100.0**		**2,729.0**	**100.0**

* LGIM assets have been reclassified as under pooled management due to the LGPS contract and BCPP oversight of funds

Note 19: Investments representing more than 5% net assets of the scheme

Security	Market value 31 March 2023	% of total fund as at 31.03.23
	£m	%
Border to Coast Global Equity Alpha Fund	386.9	14.2
Border to Coast UK Equity Alpha Fund	295.4	10.8
L&G Fundamental Indexation	245.3	9.0
Border to Coast Multi-Asset Credit	240.9	8.8
Border to Coast Investment Grade Credit	186.0	6.8
HarbourVest (Private Equity funds)	178.5	6.5
LGIM EUR (EX UK) Equity Index	163.2	6.0
LGIM Bond funds	145.3	5.3

Security	Market value 31 March 2022	% of total fund as at 31.03.22
	£m	%
Border to Coast Global Alpha Equity Fund	378.0	13.7
L&G Fundamental Indexation	302.8	11.0
Border to Coast Alpha Equity Fund	295.7	10.8
Border to Coast Multi-Asset Credit	250.8	9.1
HarbourVest (Private Equity)	182.5	6.6
Border to Coast Investment Grade Credit	171.7	6.2
L&G UK Equity Index	146.7	5.3

Note 20: Stock lending

The Fund does not currently engage in any direct stock lending.

Note 21: Property holdings

The Fund does not hold property directly. Property is held in the form of pooled funds.

Note 22: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the accounting period.

Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
31 March 2022 (£m)				**31 March 2023 (£m)**		
			Investment Assets			
0.0			Index linked bonds	0.0		
1.2			Equities	1.2		
2,716.8			*Pooled Investments*	*2,657.2*		
971.0			Global Equity	931.4		
442.4			UK Equity	416.2		
140.4			Infrastructure	189.8		
83.0			Private Debt	104.2		
197.3			Private Equity	203.7		
273.4			Pooled Property	239.6		
609.2			Fixed Income	572.3		
	35.1		Cash deposits		65.2	
	5.4		Investment Current Assets		5.3	
	9.2		Debtors		7.9	
	17.8		Cash balances		18.5	
2,717.9	**67.5**	**0.0**		**2,658.4**	**97.0**	**0.0**
			Liabilities			
		0.0	Investment current liabilities			0.0
		-3.9	Creditors			-5.1
0.0	**0.0**	**-3.9**		**0.0**	**0.0**	**-5.1**
2,717.9	**67.5**	**-3.9**	**Net Assets**	**2,658.4**	**97.0**	**-5.1**

Note 23: Net gains and losses on financial instruments

31 March 2022		31 March 2023
£m		£m
	Financial Assets	
195.6	Fair value through profit and loss	0.0
	Financial liabilities	
0.0	Fair value through profit and loss	-37.0
195.6	**Total**	**-37.0**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 24: Valuation of financial instruments carried at fair value

The unquoted equities holding in Border to Coast Pensions Partnership is valued at cost (i.e. transaction price), as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2023 because the main trading vehicle of Border to Coast Pensions Partnership only became licenced to trade in July 2018, no comparable market exists, its shares are not openly traded, and it is not for profit. Therefore, the reliability of any observable or unobservable inputs used to calculate fair value cannot be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS13. The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

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 quoted equities, quoted fixed securities, quoted index linked securities.

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.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value, these inputs are observable. Products classified as level 2 include unquoted bonds, pooled funds, and unit trusts.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity and debt investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in private equity, infrastructure and private debt are based on valuations provided by the general partners to the funds in which Warwickshire Pension Fund has invested. All underlying property valuations are carried out by independent valuation providers on a "Fair Value" basis as defined in the RICS Appraisal and Valuation Manual (Red Book). As buildings are inherently illiquid and the transactional evidence can be scarce there is the potential for a mismatch between the valuation and actual transaction pricing. The Fund has reviewed the classification of Property and has taken the decision to reclassify property managed by Schroders as Level 3. This is more consistent with the classification used by other Funds and will make the accounts more comparable.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (GAAP). Valuations are undertaken quarterly, and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments – fixed income and equity unit trusts Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	Net Asset Value (NAV) - based pricing set on a forward pricing basis	Not required
Other unquoted and private funds (including indirect property, infrastructure, private debt, and private equity). Level 3	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. All underlying property valuations are carried out by independent valuation providers on a “Fair Value” basis as defined in the RICS Appraisal and Valuation Manual (Red Book).	Earnings before interest, taxes, depreciation, and amortization (EBITDA) multiple; Revenue multiple; Discount for lack of marketability; Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund’s own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	At cost	N/A	N/A

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2023	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total** **£m**
Equities*	0.0	0.0	1.2	1.2
Pooled Investments	0.0	1,919.7	0.0	1,919.7
Infrastructure	0.0	0.0	189.8	189.8
Private Debt	0.0	0.0	104.2	104.2
Private Equity	0.0	0.0	203.7	203.7
Pooled Property (Note 1)	0.0	127.0	112.6	239.6
Financial assets at fair value through profit and loss	*0.0*	*2046.7*	*611.4*	*2,658.2*
Financial liabilities at fair value through profit and loss	*0.0*	*0.0*	*0.0*	*0.0*
Net financial assets	**0.0**	**2046.7**	**611.4**	**2,658.2**

*Equities which represent Border to Coast Pensions Partnership shareholding

Note 1: Level 2 property refers to the Threadneedle Fund and Level 3 property refers to the Schroders Fund.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2022	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Equities*	0.0	0.0	1.2	1.2
Pooled Investments	0.0	2,022.6	0.0	2,022.6
Infrastructure	0.0	0.0	140.4	140.4
Private Debt	0.0	0.0	83.0	83.0
Private Equity	0.0	0.0	197.3	197.3
Pooled Property	0.0	145.8	127.6	273.4
Financial assets at fair value through profit and loss	*0.0*	*2,168.4*	*548.3*	*2,717.9*
Financial liabilities at fair value through profit and loss	*0.0*	*0.0*	*0.0*	*0.0*
Net financial assets	0.0	2,168.4	548.3	2,717.9

The following assets have been carried at cost:

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2023	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Investment in: Border to Coast Pensions Partnership	0.0	0.0	1.2	1.2
Investments held at cost	0.0	0.0	**1.2**	**1.2**

Note 25: Reconciliation of fair value measurements within Level 3

	Market value 31 March 2022	Purchases during the year	Sales during the year	Change in market value during the year	Realised profit or loss (-) during the year	Market value 31 March 2023
	£m	£m	£m	£m	£m	£m
Private Debt	83.0	53.2	-32.1	0.5	-0.1	104.5
Private Equity	197.3	40.9	-42.6	-16.8	24.9	203.7
Infrastructure	140.5	113.4	-87.0	13.5	9.4	189.8
Pooled Property*	127.6	7.7	-5.9	-17.8	1.0	112.6
Total	**548.4**	**215.1**	**-167.7**	**-20.5**	**35.2**	**610.5**

*Reclassified Schroders Property Fund to Fair Value Level 3

Note 26: Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund’s primary long-term risk is that the Fund’s assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund’s forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund’s risk management strategy rests with the Pension Fund Investment Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Council’s pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund’s risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels; and
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument, or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The Fund’s investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored to ensure price risk is within limits specified in the Fund’s investment strategy.

Following analysis of historical data and expected investment return movement, the Fund has determined that the following movements in market price risk were reasonably possible for the 2022/23 reporting period. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	2022/23 Potential market movement %
UK Pooled Funds	18
Overseas Pooled Funds	19
Bonds	7
Cash	0
Property	15
Alternatives	9

The potential price changes disclosed above are broadly consistent with a one-year dispersion in the value of the assets and are based on observed historical volatility of the returns of the asset class.

Asset Type	Value as at 31 March 2023	Potential market movement	Value on increase	Value on decrease
	£m	£m	£m	£m
UK Pooled Funds	417.4	75.1	492.5	342.3
Overseas Pooled Funds	931.4	177.0	1,108.4	754.4
Total Bonds	572.3	40.1	612.4	532.3
Cash	70.5	0.0	70.5	70.5
Infrastructure, Private Debt and Private Equity	497.7	44.8	542.5	452.9
Property	239.6	35.9	275.6	203.7
Total	**2,729.0**	**372.9**	**3,101.9**	**2,356.1**

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown in the following table:

Asset Type	Value as at 31 March 2022	Potential market movement	Value on increase	Value on decrease
	£m	£m	£m	£m
UK Pooled Funds	443.6	88.7	532.3	354.8
Overseas Pooled Funds	971.0	182.6	1,153.6	788.5
Total Bonds	609.2	48.7	658.0	560.5
Cash	40.5	0.0	40.5	40.5
Infrastructure, Private Debt and Private Equity	420.7	33.7	454.4	387.1
Property	273.4	41.0	314.4	232.4
Total	**2,758.4**	**394.7**	**3,153.1**	**2,363.7**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is monitored as part of asset allocation decisions. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Duration	Value as at 31 March 2023	Value on 1% increase	Value on 1% decrease
	Years	£m	£m	£m
LGIM UK Corporate Bonds	5.8	50.0	47.1	52.9
LGIM UK Index Linked	16.8	95.3	79.3	111.3
BCPP Multi-Asset Credit	3.7	240.9	232.0	249.9
BCPP Investment Grade Credit	6.5	186.0	173.9	198.1
Cash balances	0.0	83.7	83.7	83.7
Total		**656.0**	**616.1**	**695.9**

Asset Type	Duration	Value as at 31 March 2022	Value on 1% increase	Value on 1% decrease
	Years	£m	£m	£m
LGIM UK Corporate Bonds	7.2	56.4	52.4	60.5
LGIM UK Index Linked	20.3	130.4	103.9	156.8
BCPP Multi-Asset Credit	4.36	250.8	239.8	261.7
BCPP Investment Grade Credit	7.7	171.7	158.4	184.9
Cash balances	0.0	52.8	52.8	52.8
Total		**662.1**	**607.3**	**716.8**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows. This analysis assumes that all other variables, in particular interest rates, remain constant. The prior year comparator is shown below and based on the Fund's segregated overseas mandate which has now transitioned to the Border to Coast Pension Partnership (BCPP) pool:

	Value as at 31 March 2023	Volatility	Value on increase	Value on decrease
	£ m		£ m	£ m
Overseas Pooled Funds				
LGIM Fundamental Indexation	245.34	10.0%	269.87	220.80
LGIM Europe (ex-UK)	163.18	10.0%	179.50	146.86
LGIM Asia Pacific (ex-Japan)	44.51	10.0%	48.96	40.06
LGIM Emerging Markets	37.38	10.0%	41.12	33.64
LGIM Japan	35.42	10.0%	38.96	31.87
LGIM North America	18.72	10.0%	20.59	16.85
BCPP Global Equity	386.86	10.0%	425.55	348.18
Total	**931.4**	**10.0%**	**1,024.55**	**838.27**

	Value as at 31 March 2022	Volatility	Value on increase	Value on decrease
	£ m		£ m	£ m
Overseas Pooled Funds				
LGIM Fundamental Indexation	150.89	20%	181.07	120.71
LGIM Europe (ex-UK)	46.28	20%	55.54	37.03
LGIM Asia Pacific (ex-Japan)	39.05	20%	46.86	31.24
LGIM Emerging Markets	302.83	20%	363.40	242.27
LGIM Japan	34.73	20%	41.67	27.78
LGIM North America	19.20	20%	23.04	15.36
BCPP Global Equity	378.03	20%	453.64	302.43
Total	**971.0**	**20%**	**1,165.2**	**776.8**

Credit risk

Credit risk represents the risk that the counterparty to a transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities.

The Pension Fund closely monitors employer contributions each month. Most contributions from employers due to the Fund for March 2023 were received by the Fund in April 2023. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

The Pension Fund's bank account is held at Lloyds, which holds an 'A+' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. In addition, Lloyds has a 0% historic risk of default. As at 31st March 2023 the balance at Lloyds stood at £18.5m.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments, particularly cash to meet pensioner payroll and other benefit costs, and cash to meet investment commitments.

The Pension Fund has immediate access to its cash holdings and has had a long-term positive cash flow. Cash flow surpluses are invested with fund managers. The Pension Fund is authorised to borrow on a short-term basis to fund cash flow deficits.

The actuary to the Pension Fund produces regular cash flow forecasts which are presented to the Investment Sub-Committee.

All financial liabilities as at 31 March 2023 are due within one year.

Note 27: Funding arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund’s actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and sets contribution rates for the three years commencing 1 April 2023. However, the contribution rates for the accounting year 2022/23 relied on the results of the Actuarial Valuation as of 31 March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;

- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in contribution rates by spreading any increases in rates over a period of time. Normally this is three years but, in some cases, an extended period can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level falls significantly short of the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the Fund was assessed as 92% funded. This corresponded to a deficit of £180m. At the 2022 actuarial valuation, the Fund was assessed as 104% funded. This corresponds to a surplus of £98m.

Contribution increases arising from the 2019 actuarial valuation were phased in over the three-year period ending 31 March 2023. The common contribution rate (i.e. the rate which all employers in the Fund pay) is as follows.

Valuation Date	**31-Mar-19**
Total contribution rate	
Primary Rate (% of pay)	20.1%
2020/21 Secondary Rate £000	6,071
2021/22 Secondary Rate £000	6,251
2022/23 Secondary Rate £000	6,436

Following the 2022 actuarial valuation, contribution rate changes (primary and secondary) will be phased in from 1 April 2023.

Valuation Date	**31-Mar-22**
Total contribution rate	
Primary Rate (% of pay)	20.7%
2023/24 Secondary Rate £000	4,865
2024/25 Secondary Rate £000	4,688
2025/26 Secondary Rate £000	4,495

Individual employer rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 and 2022 actuarial valuation reports and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions are as follows:

Financial assumptions

Financial assumptions	**31 March 2019**	**31 March 2022**
	%	**%**
Discount Rate	3.7	4.0
Salary Increases	3.1	3.7
Price Inflation/Pension Increases	2.3	2.7

Demographic assumptions

Assumed life expectancy from age 65 is as follows.

Demographic assumptions	**31 March 2019**		**31 March 2022**	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
Pensioners	21.6	23.8	21.8	24.4
Non-pensioners	22.5	25.4	22.6	26.0

Commutation assumptions

At the 2019 valuation, it was assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service. The equivalent assumption at the 2022 valuation was 65% for all service.

50:50 Option

The assumption in the 2019 and 2022 Actuarial Valuations was that 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Note 28: Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary also 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, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future (see Note 27).

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 27). The following is the full Pension Fund Accounts Reporting Requirement provided by the Scheme Actuary.

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Warwickshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	**31 March 2022**	**31 March 2023**
Active members (£m)	1,790	1,157
Deferred members (£m)	840	514
Pensioners (£m)	1,095	903
Total present value of promised retirement benefits (£m)	**3,725**	**2,574**
Fair value of scheme assets (bid value) (£m)	***2,776***	***2,728***
Net Asset / (Liability) (£m)	**(949)**	**154**

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £1,504m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £45m.

Financial assumptions

Year ended	**31 March 2022 % p.a.**	**31 March 2023 % p.a.**
Pension Increase Rate (CPI)	3.20	2.95
Salary Increase Rate	4.00	3.95
Discount Rate	2.70	4.75

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current pensioners	21.5 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.2 years	25.8 years

All other demographic assumptions have been updated since last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2023	**Approximate % increase to promised retirement benefits**	**Approximate monetary amount (£m)**
0.1% p.a. decrease in the Discount Rate	2	50
1 year increase in member life expectancy	4	103
0.1% p.a. increase in the Salary Increase Rate	0	6
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	45

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2023' which identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:

Robert Bilton FFA

26 May 2023

For and on behalf of Hymans Robertson LLP

Note 29: Current assets

31 March 2022		31 March 2023
£m		**£m**
	Debtors:	
1.8	Contributions due: Employees	3.3
6.1	Contributions due: Employers	4.0
1.3	Invoiced debtors	0.6
0.1	Sundry debtors	0.1
17.8	Cash balances	18.5
27.0	**Total**	**26.4**

Note 30: Current liabilities

31 March 2022		31 March 2023
£m		**£m**
1.8	Owed to administering authority	2.2
1.3	Sundry Creditors	1.9
0.7	Benefits Payable	1.0
3.9	**Total**	**5.1**

Note 31: Additional Voluntary Contributions

Contributions Paid 2021/22	Market Value 31 March 2022		Contributions Paid 2022/23	Market Value 31 March 2023
£000	**£m**		**£000**	**£m**
468.5	3.3	Standard Life	508.4	3.2
1.2	0.2	Utmost Life and Pensions	1.6	0.2
469.7	**3.5**	**Total**	**510.0**	**3.4**

Note 32: Related Party Transactions

Warwickshire County Council

The Warwickshire Pension Fund is administered by Warwickshire County Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the Council incurred costs of £2.4m (2021/22: £1.9m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund. Employee and employer contributions from the Council amounted to £48.6m (£43.8m in 2021/22).

Border to Coast Pensions Partnership (BCPP)

The Warwickshire Pension Fund, through Warwickshire County Council as the Administering Authority, is a shareholder in BCPP Limited. The Partnership is a wholly owned private limited company registered in England and Wales founded to carry out pension fund asset pooling obligations set out by the Government. The company provides the facility to pool the pension fund investments of 11 local authorities in order to gain the benefits of economies of scale, concentration of expertise and improved ability to reduce investment costs. The company was incorporated in 2017/18 and the first transfers of investment assets into the pool occurred in 2018/19. As at the balance sheet date all 11 partners own an equal 1/11th share of the company.

BCPP is a joint venture that brings risks as well as benefits. The partnership has grown significantly, for example in terms of the value of assets under management and the number of personnel employed. At Fund level the pool manages 76.7% of total assets under management. Pooling and membership of the Border to Coast Pensions Partnership is a regular and high-profile feature of reporting to the Pension Fund Investment Sub-Committee and the Fund's risk register has regard to key pooling risks.

Governance

There was one member of the Pension Fund Investment Sub-Committee and the Staff and Pensions Committee who was in receipt of pension benefits from the Warwickshire Pension Fund.

There are two members of the Local Pension Board who are active members of the Warwickshire Pension Fund and one active pensioner.

Each member of the Pension Fund Investment Sub-Committee, Staff and Pensions Committee and Local Pension Board is required to declare their interests at each meeting.

Key management personnel

Several employees of Warwickshire County Council hold key positions in the financial management of the Warwickshire Pension Fund, alongside responsibilities for Warwickshire County Council directly. The following percentages represent the time each post has spent on pension fund activities during the financial year. The posts of Executive Director for Resources (2%), Director of Finance (16%), Head of Investments, Audit and Risk (30%), Head of Finance Transformation & Transactions (30%), Technical Specialist Pensions

(100%), Investment Analyst (100%), Lead Commissioner Pensions and Investment (100%), and Pensions Administration Delivery Lead (100%) are considered to be key management personnel. These employees and their financial relationship with the Fund are set out below.

2021/22		2022/23
£000		£000
251.1	Short-term benefits	348.5
-241.0	Post-employment benefits	-200.5

Note 33: Contingent Liabilities and Contractual Commitments

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Outstanding capital commitments at 31 March 2023 are as follows:

31 March 2022		31 March 2023
£m		£m
116.3	Private Equity	98.0
151.3	Infrastructure	121.8
91.8	Private Debt	79.7
359.4	**Total**	**299.5**

Note 34: Going Concern

Going concern is assessed by management using four key factors as follows:

- Investment returns and Net Asset Values;
- Cashflow forecast and liquidity;
- Membership trends; and
- Funding level and delivery of agreed recovery plans.

Each is considered in turn below:

- The number of employing bodies has increased over time and currently stands at the highest number it has ever been (223) and current membership increased from 54,329 to 56,945, also an all time high.
- Investment returns were volatile in 2022/23 however the diversification of the Fund's assets has provided protection.
- The Fund has adequate liquidity in place to meet cashflow requirements.
- The Fund was assessed as 92% funded as at 31 March 19, an improvement on the funding level of 82% at 31 March 2016, and the 2022 valuation assessed the Funding level to be 104%. It is important to note that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations as they fall due.

For the reason set out above, management are satisfied that the Warwickshire County Council Pension Fund is a going concern and the financial statements for 2022/23 have been prepared on this basis accordingly.

Glossary

Actuarial valuation
A review of the assets and *liabilities* of a pension fund to determine the surplus or deficit, and the future rate of contributions required.

Alternative investments
Investments other than the mainstream *asset classes* of *equities* and *bonds*. Alternatives include *hedge funds*, *private equity*, *private debt*, *infrastructure* and *commodities*. Property is also sometimes described as an alternative.

Asset allocation
The apportionment of a fund's assets between different *asset classes*.

Benchmark
A yardstick against which the investment policy or performance of a fund manager can be compared.

Currency risk
Investing in any securities not denominated in the investor's own base currency introduces currency risk due to the *volatility* of foreign exchange rates.

Defined benefit scheme
A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised. Compare with *defined contribution scheme*.

Deferred Pensioners
Members of the Pension Fund who are no longer active employees making contributions to the Fund but who are not yet receiving their pension (may also be referred to as Deferred Members).

Diversification
The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce *risk*.

Hedge Funds
A hedge fund is a capital pool that has the ability to use *leverage* and to take both *long* and *short* positions with the aim of achieving an *absolute return*. A large variety of hedge fund strategies exist, and the level of *risk* taken will vary. Investors looking for a diversified exposure to hedge funds will normally opt for a fund of hedge funds – a fund with underlying investments in several hedge funds covering different strategies and geographical areas.

IAS19 (International Accounting Standards)
An accounting standard which requires organisations to incorporate their pension funds into their balance sheets and specifically that all pension fund *liabilities* should be valued using an AA corporate bond yield. Any mismatch between assets and liabilities is effectively brought on to the organisation's balance sheet.

IAS1
An accounting standard that sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Private equity
Funds put up by investors to finance new and growing businesses. Also known as venture capital

Pooled funds
Pooled funds are where the Fund does not directly own underlying assets.

Pool or LGPS Pool
This term refers to where LGPS administrating authorities have grouped into pools specifically set up to enable investment in line with the Local Government Pension Scheme: investment reform criteria and guidance (November 2015). The Warwickshire Pension Fund is part of the Border to Coast Pensions Partnership pool, which currently has 11 LGPS partner funds.

Private Debt
Private debt comprises mezzanine and other forms of debt financing that comes mainly from institutional investors such as funds and insurance companies – but not from banks.

Risk
In its simplest sense, risk is the variability of *returns*. Investments with greater inherent *risk* must promise higher expected returns if investors are to invest in them. Risk management is an important aspect of portfolio management and involves the use of complex statistical models.

Stock lending
The lending of a *security* by the registered owner, to an authorised third party, for a fixed or open period of time, for an agreed consideration secured by *collateral*. The demand to borrow *securities* comes mainly from *market makers* to cover *short positions* or take *arbitrage* opportunities.

Transaction costs
Those costs associated with trading on a portfolio, notably *stamp duty* and *commissions*.

Audit and Standards Committee

14 March 2024

External Audit Plan for Warwickshire Pension Fund 2023/24 Accounts

Recommendation

That the Audit and Standards Committee considers and comments on the Annual Audit Plan for 2023/24.

1. Executive Summary

1.1 Our external auditors write to the Council annually to set the audit plan and audit fees for the Warwickshire Pension Fund, together with the rationale and scope for those fees. These documents are brought to the Audit and Standards Committee each year for comment.

1.2 The Audit Engagement Lead will attend the meeting to present the audit plan attached at Appendix 1.

2. Financial Implications

2.1 The attached audit plan includes reference to the associated audit fee. The proposed audit fee for the 2023/2024 pension fund audit is £82,406. A further £7,530 is proposed for work in relation to ISA315 (Identifying and Assessing the Risks of Material Misstatement) resulting in total fee of £89,936.

2.2 It should be noted that the fee levels assume a certain standard of quality in respect of the information provided by the Pension Fund, for example the quality of working papers and analysis.

2.3 The reasons for the increase are set out in Page 16 of Appendix 1 and have been discussed and agreed with the Interim Director of Finance.

3. Environmental Implications

3.1 None.

4. Supporting Information

4.1 None.

5. Timescales associated with the decision and next steps

5.1 The audit will be carried out over the summer and autumn and the final draft accounts will be brought back to Audit and Standards Committee for comment and will then go on to Council for final approval.

Appendices

1. Warwickshire Pension Fund Audit Plan - Year Ending 31 March 2024

Background Papers

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

Local Member(s): not applicable
Other members:

Grant Thornton

Warwickshire Pension Fund audit plan

Year ending 31 March 2024

March 2024

Contents

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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.

Key matters

National context The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geo-political issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds.

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. For Warwickshire Pension Fund , the valuation was undertaken by Hymans Robertson, and showed that that the solvency funding level is 100% therefore the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable which is an improvement from 92% in the 2019 valuation. These valuations also provide updated information for the net pension liability on employer balance sheets.

In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10 % allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200bn or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Climate risk (TCFD) reporting in the LGPS is expected to commence from 1 April 2024, with first reports due in late 2025.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our repot About time? In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

Local authorities which administer local government pension funds are required to publish full pension fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of pension fund audits and publication of audited accounts and annual reports.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- In 2017, PSAA awarded a contract of audit for Warwickshire Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Executive Director for Resources. Page 19 of this Audit Plan, sets out the four contractual stage payments for this fee, with payment based on delivery of specified audit milestones.
- To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Executive Director for Resources quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Standards Committee, to brief them on the status and progress of the audit work to date.
- We will continue to provide you and your Audit and Standards Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Standards Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- We identified a significant audit risk relating to the valuation of level 3 investments- refer to page 8.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwickshire Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

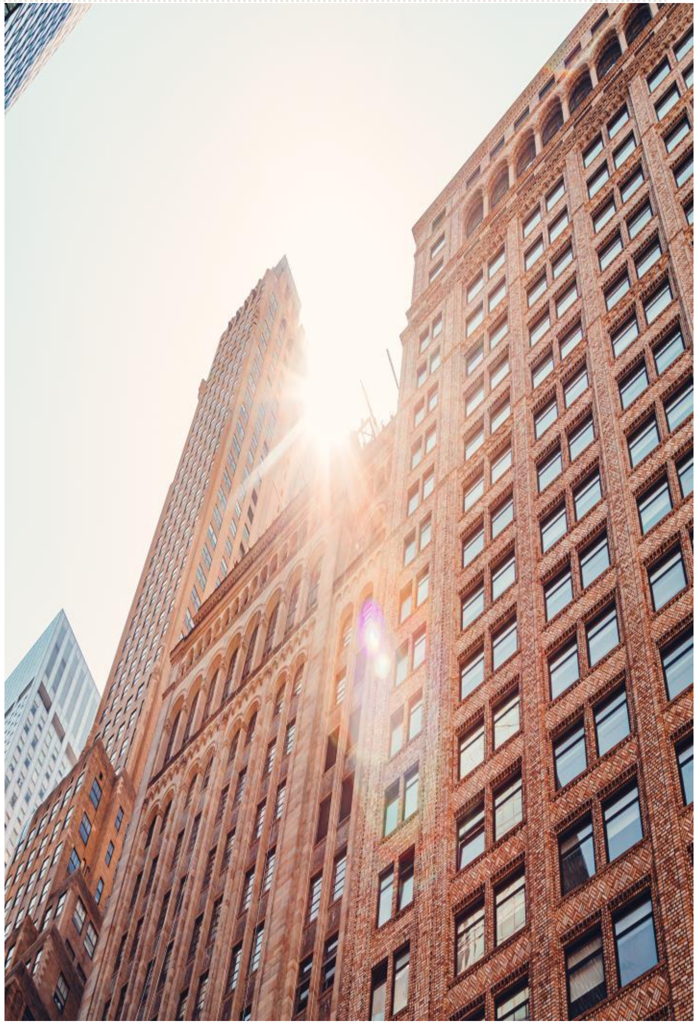
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO has updated the Code. This audit plan sets out the implications of the revised code on this audit. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Warwickshire Pension Fund. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards committee).

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £41m (PY £41.5m) for the Pension Fund, which equates to 1.5% of your gross investment assets as at 31 March 2023. We have determined a lower specific planning materiality for the Fund Account of £12m (PY £11m), which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Audit logistics

Our planning visit will take place from January to March and our final visit will take place from July to December. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £89,936 (PY: £63,100) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

The Fund's Custodians do not independently value its Level 1 and 2 Investments. This means we are not able to 'triangulate' valuations included in the financial statements to investment manager and custodian confirmations for these investments.

As a result, we carry out further audit procedures to gain assurance over the valuations of these investments. For Level 1 and Level 2 investments we will:

- independently request year end confirmations from investment managers;
- check the unit price to the market quoted price (if available) at the reporting date, or; test the valuation to direct confirmation of capital balances from investment managers and, where available latest audited financial statements;
- complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.

See page 8 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

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)	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. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwickshire Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Warwickshire Pension Fund.	No detailed audit procedures proposed
Fraud in expenditure recognition (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 an entity that is required to meet financial targets. Having considered the risk factors relevant to Warwickshire Pension Fund and the relevant expenditure streams, 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 therefore do not consider this to be a significant risk for Warwickshire Pension Fund.	No detailed audit procedures proposed

> ‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride 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.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
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 2024. We therefore identified valuation of Level 3 investments as a significant risk.	We will: • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider 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 • request confirmations from fund managers and custodian of all holdings and valuations at the period end together with a statement of transactions during the period. • for a sample of investments, test 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. Reconcile those values to the values at 31 March 2024 with reference to known movements in the intervening period. We will confirm the audit opinion is unqualified, that the investments are valued on a methodology consistent with IFRS reporting and note any Emphasis of Matter. • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert • test revaluations made during the year to see if they have been input correctly into the Pension Fund's asset register • complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances. • where available review investment manager service auditor report on design effectiveness of internal controls.

Other matters

Other work

The Pension Fund is administered by Warwickshire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
    - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Pension Fund's financial statements, which resulted in 5 recommendations being reported in our 2022/23 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
High	**Lack of journals evidence** The Pension Fund was unable to provide sufficient supporting evidence for a number of journals processed during the year that were selected as part of our journals testing. We understand that a key driver of being unable to provide sufficient evidence was that several members of staff had left during the financial year, resulting in a loss of corporate memory. As a consequence, a large number of journals posted by staff that had subsequently left the Fund were reversed at year-end so that appropriately evidenced transactions could be recorded in their place. Whilst we were able to gain assurance that no management override of control had occurred, there is a risk that fraudulent or erroneous journals could be posted into the general ledger.	We recommend that the pension fund puts in place controls so that any journal posted is appropriately backed up by supporting evidences, which are readily available to both management and auditors as required. The Fund should also have contingency plans for staff turnover to enable continuity of oversight over journal postings. Management response Will put in place a documented journals policy and procedure note to ensure that all journals are reviewed, have evidence and approved before posting to the system. Training for staff on journal policy and procedure.
Medium	**Lack of journals authorisations** From our review of the journals control environment, we have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Pension Fund's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. This is consistent with prior year findings as noted in Appendix C.	The Pension Fund should introduce controls to ensure that each journal posted to the ledger is appropriately authorised by someone more senior to the poster. Management response Will put in place a documented journals policy and procedure note to ensure that all journals are reviewed, have evidence and approved before posting to the system. Training for staff on journal policy and procedure.

Controls

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

Progress against prior year audit recommendations - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Medium	**IT general controls audit** 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: - Users access within Agresso is not revoked in a timely manner. Management should ensure that comprehensive user administration policy and associates procedures are in place to revoke application access in a timely manner. Two other improvement recommendations were identified in relation to the password settings not compliant with password policies and the lack of formal reviews of the YourHR iTrent service auditor report.	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. Management response To be confirmed.
Medium	**Completeness of declaration of interests** Our testing of related parties via a search of Companies House identified a directorship of a member that was not declared or disclosed. Although we are satisfied that no transactions took place with the Pension Fund, incomplete declarations of interest lead to the risk that the Pension Fund does not understand its related parties.	We recommend that at least once per year, the Pension Fund should undertake a completeness review of related parties including: • Ensuring all disclosure returns are received from senior management and members, including nil declarations and from those that leave their role during the year. • Undertaking searches on Companies House to identify any undeclared directorships. Management response We will liaise with Committee Services to ensure that disclosures are captured and add actions to the Pension Fund close down time table to check that we have all disclosure returns and undertake a Companies House search.

Controls

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

Progress against prior year audit recommendations - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Low	**Reconciliation of the purchase and sale of investments** The Pension Fund were unable to reconcile the purchases and sale of investments throughout the year, from the report provided by their Custodian to those provided from Fund Managers. Whilst we were able to gain assurance over the closing balances of the investments, there is the risk that the Pension Fund may omit transactions from their disclosure note.	The Pension Fund should complete a reconciliation of the purchases and sale of investments at year end to ensure that their disclosure note is accurate and agrees to the information provided by the Custodian and Fund Managers. Management response We will add this reconciliation to the close down timetable.

Controls

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

Our approach to materiality

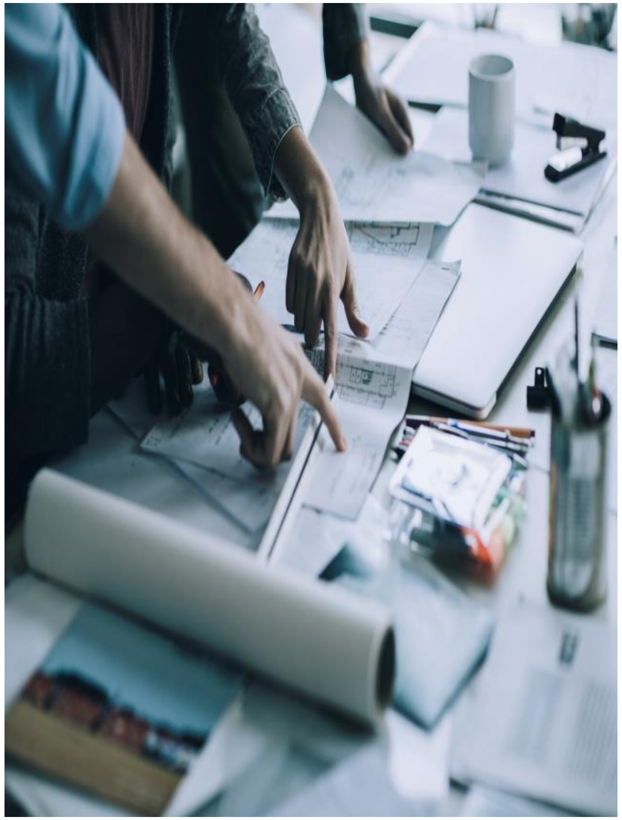
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £41m (PY £41.5m), which equates to 1.5% of your gross investment assets as at 31 March 2023.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have determined a lower specific planning materiality for the Fund Account of £12m (PY £11m), which equates to 10% of prior year gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit and Standards Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.050m (PY £2.075m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.

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.

	Amount (£)	Qualitative factors considered
Materiality for the Pension Fund financial statements	41,000,000	LGPS pension funds aim is to be in a position to pay pensions liabilities as they fall due and to be fully funded over the longer term. Therefore the in-year surplus/deficits reported within the Fund Account do not constitute a reasonable basis upon which to base materiality. Reporting of the Gross/Net Assets position is common for Pension Funds and usually forms part of users' evaluation of performance. On this basis it would appear that a benchmark of Gross assets is most appropriate for the circumstances of the client.
Fund Account Transactions	12,000,000	As per the updated guidance, we have determined transactions within the Fund Account as items requiring greater precision and where we will apply a lower materiality level, as these are considered a key area of focus for users of the financial statements which is not directly derived from the investment portfolio. We have set a materiality of £12m which is equivalent to 10% of expenditure in 2022/23. We will apply this to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole should be applied. For the Fund Account, performance materiality and clearly trivial have been set at 70% and 5% of headline materiality.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso (Unit4)	Financial reporting	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment
iTrent/ YourHR	Payroll and HR	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment
Altair	Pensions administration	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment
Active Directory	Domain Controller	• Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs. • A follow up of reported findings from the 2022/23 ITGC assessment

Audit logistics and team

Planning and risk assessment

Audit and Standards committee
March 2024

Audit Plan

Year end audit
July-December 2024

Audit and Standards committee
December 2024

Audit Findings Report and Audit Opinion

Jaskaran Notta, Audit In-charge

Key audit contact responsible for the day-to-day management and delivery of the audit work. Jas will lead the on-site team, monitor deliverables and manage our query log – ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Harkamal Vaid, Audit Manager

Hark will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. He will attend Committee meetings with Avtar and supervise Jas in leading the on-site team. Hark will undertake reviews of the team's work and draft clear, concise and understandable reports.

Avtar Sohal, Key Audit Partner

Avtar will be the main point of contact for the Chair, Executive Director for Resources and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Avtar will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed, due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit, due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 3 and 4)
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Warwickshire Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £82,406.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/'

Assumptions

In setting these fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

	Proposed fee 2023/24
Warwickshire Pension Fund Audit	£82,406
ISA 315	£7,530
Total audit fees (excluding VAT)	£89,936

Previous year

In 2022/23 the scale fee set by PSAA was £21,522. The actual fee charged for the audit was £63,110.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Other services

No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Grant Thornton

grantthornton.co.uk

Audit and Standards Committee

14 March 2024

Internal Audit Plan 2024-25

Recommendation

That the Audit and Standards Committee endorses the proposed Internal Audit Strategy and Plan for 2024-25 at Appendix A.

1. Executive Summary

1.1 The Council has a duty to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account relevant auditing standards.

1.2 The role of internal audit is primarily to provide reasonable assurance to the organisation and ultimately the taxpayers that the Council maintains an effective control environment that enables them to manage its significant business risks. Internal Audit does this *by providing risk-based and objective assurance, advice and insight.* In addition to providing assurance, the audit service also undertakes proactive consultancy and advisory work designed to add value and offer insights that will improve the effectiveness of risk management, control and governance processes e.g. acting as a critical friend when process changes are being developed.

1.3 To ensure the best use of limited audit resources audit work needs to be carefully planned. In accordance with best practice, the Committee's role is to review and approve the annual internal audit work plan. The plan is developed in consultation with senior managers and takes account of the organisations aims, strategies, key objectives, associated risks, and risk management processes (as required by internal audit standards). It also considers those topics which have not recently been audited or which feature in the corporate risk register or which, when last audited, received a low opinion. Care has been taken to explicitly link the internal audit plan with critical risks.

1.4 Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days has been allocated to each potential topic. This considers a range of factors including when the topic was last audited, complexity of the topic, and the level of change. The list of potential topics arising from the planning process is included in the attached audit plan document (Appendix A) together with those topics we are unable to cover during the year based on existing level of resources. The aim is to give a high-level overview of audit areas. The Committee will note that as in past years whilst we are able to cover key aspects of very high-risk areas, we are not able to cover lower rated risks. The Committee can accept a plan on this basis, provided this matches its "risk appetite" for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary).

1.5 Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and it will therefore be reviewed at intervals throughout the year to ensure it remains relevant.

1.6 The Internal Audit function is governed by its Audit Charter, which is a requirement of the Public Sector Internal Audit Standards (PSIAS) and sets out the purpose, authority and responsibility of internal audit. The Charter must be formally agreed and approved by the organisation and periodically reviewed. It establishes the position of internal audit within the organisation, including the nature of the service's functional reporting relationship; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.

1.7 In accordance with best practice the existing Audit Charter, which was approved in March 2023, has been reviewed to ensure it reflects the current structure, practice and legislation. No changes are being recommended following the recent review and it is included for completeness (Appendix B).

2. Financial Implications

2.1 There are no direct financial implications of this report, although the Audit Plan is a key element in assuring the Council of the adequacy of its control environments in relation to protecting our resources and finances. There can be financial implications of actions required to implement audit recommendations.

3. Environmental Implications

3.1 The proposed plan includes two audits relating to the environmental agenda, providing independent assurance and advice.

5. Supporting Information

5.1 Appendix A sets out the full Audit Plan for 2024-25.

6. Timescales associated with the decision and next steps

6.1 Delivery of this Audit Plan will be contained to the financial year 2024-25.

Appendices

Appendix A - Internal Audit Strategy and Plan 2024-25
Appendix B - Internal Audit Charter

Background papers

None

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

Warwickshire County Council

Internal Audit Strategy and Plan 2024-25

“Providing assurance on the management of risks”

Internal Audit Strategy and Plan 2024-25

“Providing assurance on the management of risks”

This document sets outs the Internal Audit Strategy and proposed Plan of work for 2024-25 for Warwickshire County Council. These services are provided by the Internal Audit Service of the Resources Directorate. This document complements the Audit Charter and the Council’s Risk Management Framework. In accordance with current best practice the role of the audit committee is to review and approve the internal audit plan.

The Role of Internal Audit

All organisations face risks in every aspect of their work: policy making, decision taking, action and implementation, regulation and spending, and making the most of their opportunities. The different types of risk are varied and commonly include financial risks, IT risks, supply chain failure, physical risks to people, and damage to the organisation’s reputation. The key to the Council’s success is to manage these risks effectively.

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 state that a local authority is responsible for ensuring that its financial and operational management is effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk. The Regulations require accounting systems to include measures to ensure that risk is appropriately managed.

The requirement for an internal audit function is also contained in the Regulations which require the Authority to:

> “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Council has delegated its responsibilities for internal audit to the Executive Director for Resources.

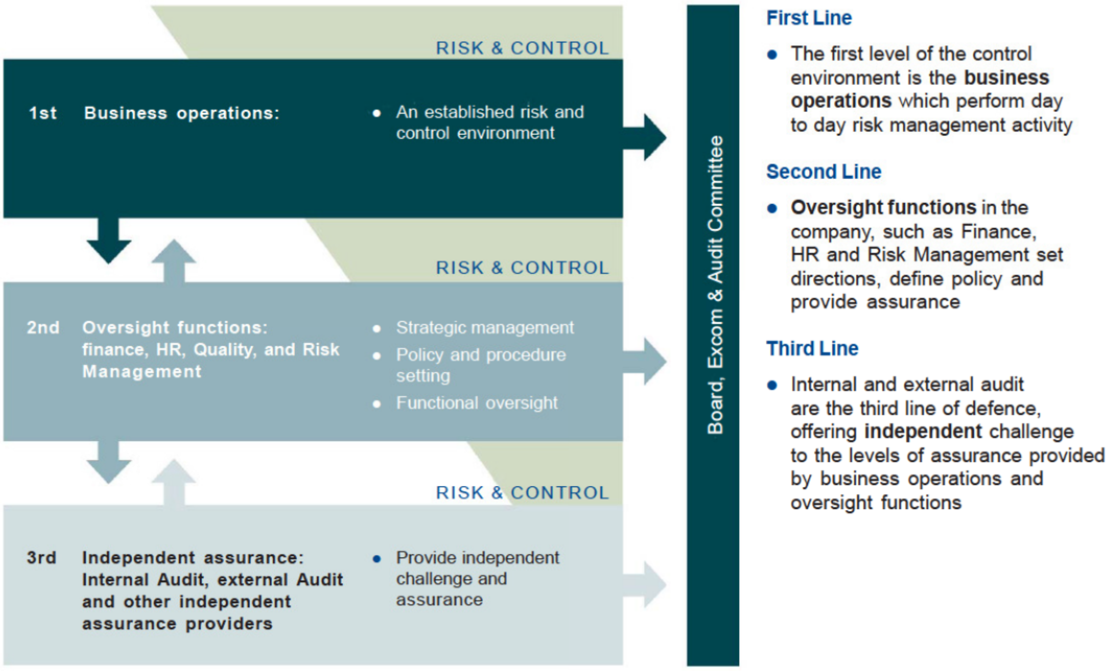
Definition of Internal Auditing

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

The key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities, it is to provide assurance to the organisation (the Chief Executive, Executive Directors, Directors and the Audit and Standards Committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. We do this by **providing risk-based and objective assurance, advice and insight**. The assurance work culminates in an annual opinion on the adequacy of the Authority's governance, control and risk management processes which feeds into the Annual Governance Statement.

Different parts and levels of an organisation play different roles in managing risk, and the interplay between them determines how effective the organisation as a whole is in dealing with risk. The Institute of Internal Auditors uses a "three lines of defence" model to explain internal audit's unique role in providing assurance about the controls in place to manage risk. Recognising that effective management involves choosing to take risks as well as defending against negative impacts, perhaps "*Three lines of Assurance"* is a helpful description:

Figure 1: Three lines of defence (assurance) model



First Line

- The first level of the control environment is the **business operations** which perform day to day risk management activity

Second Line

- **Oversight functions** in the company, such as Finance, HR and Risk Management set directions, define policy and provide assurance

Third Line

- Internal and external audit are the third line of defence, offering **independent** challenge to the levels of assurance provided by business operations and oversight functions

The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of assurance, audit's main roles are to ensure that the first two lines are operating effectively and advise how they could be improved.

We develop and then deliver a programme of internal audits to provide independent reasonable assurance to senior management and members that significant risks are being addressed. To do this, we will evaluate the quality of risk management processes, systems of financial and management control and governance processes and report this directly and independently to the most senior level of management. In accordance with regulatory requirements most individual assurance assignments are undertaken using the risk-based systems audit approach and are not usually designed to identify potential frauds.

The focus of our work continues to be primarily on the very high-risk areas and change programmes and key corporate processes. Audits of this nature are a more effective use of limited resources and are key to providing the appropriate assurance to the Council that its overall governance, control and risk management arrangements remain effective.

Figure 2: Key corporate processes

Sound corporate governance

means

Doing the right thing…at the right time…in the right way…for the right people

and depends upon

- Financial management
- HR policies and processes
- Performance management
- Programme and project management
- Effective IT systems
- Complying with legisaltion
- Commissioning and procurement
- Contract Management
- Equalities
- Business planning
- Open and transparent decision making
- Managing partnerships

We give an opinion on how much assurance systems give that significant risks are addressed. We use four categories of opinion: Full, Substantial, Moderate and Limited assurance.

Vision, purpose and values

A professional, independent and objective internal audit service is one of the key elements of good governance in local government.

As a modern effective risk and assurance service we:

- Act as a catalyst for improvement and provide insight on governance, control and risk management;
- Influence and promote the ethics, behaviour and standards of the organisation;
- Develop a risk aware culture that enables clients to make informed decisions;
- Are forward looking; and
- Continually improve the quality of our services.

A key driver of this strategy is the need to meet all our clients' needs, which in the context of the County Council are the Audit and Standards Committee, Chief Executive, Executive Directors and Directors.

The County Council will continue to be affected by a variety of local and national issues:

- Funding pressures faced by local government;
- The impact of inflation and global conflicts
- Climate change
- Increased growth in partnerships and collaborations, for example with health, other parts of the public sector and the private sector;
- Ever increasing use of technology to deliver services, particularly the rapid evolution of Artificial Intelligence;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services; and
- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness.

These, and other developments, will mean increased pressure on the service to review existing systems and provide advice on new and complex initiatives within reducing resources. We must add value and help deliver innovations in service delivery. To respond to the demands on us we will:

- Continue to develop our staff to ensure we are fully equipped to respond to our clients' demands;
- Continue to invest in modern technology to improve efficiency and effectiveness;
- Add value and make best use of our resources by focussing on key risks facing our clients;
- Increasingly work in partnership with clients to improve controls and performance generally; and
- Continue to buy in specialist help where required.

Services

In addition to undertaking audits the Service is able to support the organisation by also providing the following services:

Consultancy

The Council will face major changes in culture, systems and procedures over the coming years and we are able to provide advice on the governance, control and risk implications of these changes. The service will act as a critical friend. Particular emphasis is put on project governance and process design.

Our knowledge of the management of risk enables us to ***challenge*** current practice, ***champion*** best practice and be a ***catalyst*** for improvement, so that the Council as a whole achieves its strategic objectives.

So, for example, when a major new project is being undertaken we can help to ensure that project risks are clearly identified and that controls are put in place to manage them.

It is more constructive for us to advise on design of processes during the currency of a change project rather than identify problems after the event when often it is too late to make a difference and it is possible to use less resource to identify key points than in a standard audit - timely advice adds more value than untimely.

Challenge

Champion

Catalyst for improvement

Irregularities

As a publicly funded organisation the Council must be able to demonstrate the proper use of public funds. It is the responsibility of every manager to have systems in place to prevent and detect irregularities. However, if an irregularity is identified or suspected managers are required to notify the Service and will need professional support to investigate the matter.

All significant investigations will be undertaken by the Service but more minor matters will be referred back to the relevant manager to progress with support from the audit team. The decision on which cases will be investigated will be made by the Internal Audit Manager.

Counter fraud

Although responsibility for operating sound controls and detecting fraud is the responsibility of management, the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy, maintaining records of all frauds and, as a deterrent, publicising proven frauds.

The Service also coordinates the Council's participation in the National Fraud Initiative. Relevant managers are best placed and hence are responsible for investigating matches identified by the NFI but we do maintain an overview of progress.

To ensure the best use of limited audit resources audit work needs to be carefully planned. We have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management and taking into account:

- the overall environment in which the Council has to operate
- its aims, strategies, key objectives, associated risks
- risk management processes, and
- national surveys and intelligence on risk areas along with data on actual frauds at Warwickshire CC.

Our plan also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which when last audited received a low opinion. In addition, auditors regularly attend various professional networking meetings which highlight the wider issues affecting public sector internal audit which need to be reflected in the programme of work.

General context and key themes

International

The Institute of Internal Auditors has identified a number of key themes through its annual survey of Heads of Audit across the world, which looks at the continuing and emerging areas of risk on which they are having to focus. The latest report, Risk in Focus 2024, identified seven top risks from the survey, as follows:

- Cybersecurity and data security
- Human capital and talent management and retention
- Changes in laws and regulations
- Macroeconomic and geopolitical uncertainty
- Business continuity, operational resilience and disaster response
- Digital disruption, new technology and AI
- Climate change and environmental sustainability

Cybersecurity remains highest as in 2023. Business continuity has moved up to 5th, pushing Climate change down to 7th highest.

National

Like the rest of the world, the UK has been greatly impacted by the global instability and conflict. The risks and impacts include:

- Cyber security
- Higher general inflation
- Higher interest rates
- Supporting refugees

In particular at the Local Government level there has been and continues to be a high level of concern around financial stability and sustainability, with more councils having issued S114 notices.

County Council

The national and international perspectives highlighted above are reflected in the challenges faced by the county council. Regarding the aspects of financial risk, these include growing costs of both adults and children's social care, Home to School Transport and SEND, as well as significant pressures on capital budgets. The risks have been identified by the Council in setting the budget and MTFS.

Financial Risks - Annual Budget and MTFS

From a financial perspective, as the Executive Director for Resources has stated in the 2024-25 budget report:

"*this revenue budget has been prepared on realistic assumptions in an uncertain environment and that as such it represents a robust, albeit challenging, budget.*
That said, the uncertainties of the economic environment mean that there are significant risks facing the Authority in delivering a balanced budget."

The report identifies the following financial risks, along with mitigation measures:

- Delivery of the Planned Budget Reductions;
- Inflationary Risk;
- Dedicated Schools Grant High Needs Block Deficits;
- School Place Planning and the Affordability of the Capital Programme;
- Treasury Management;
- Uncertainty about the national policy direction;
- Uncertainty about the National Funding Position;
- Funding Reform;
- Council Tax;
- Council Tax Taxbase;
- Demand Growth Risk;
- Workforce Risk; and
- Impact on the Medium-Term Financial Strategy.

Council Plan

Warwickshire County Council

Council Plan

Investment plans are directed towards delivery of the Council Plan.
The Council Plan contains three strategic priorities for achieving the vision "To make Warwickshire the best it can be, sustainable now and for future generations".
These are as follows:

Our ambition for Warwickshire

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.

Other planning considerations

Our primary customers remain the Chief Executive, Executive Directors, Directors and the Audit and Standards Committee but we will take into account the views of other managers when refining the scope of audits and will accommodate them as long as requests do not divert us from addressing the core scope as agreed with the Audit and Standards Committee.

Further significant changes in processes and policies are likely during the coming year and internal audit will need to support this work and provide advice on the governance, risk management and control implications of the changes. Whilst providing advice is good practice and an effective use of resources, sufficient audits are required across the Council's risk profile in order to deliver the annual "Head of Audit" opinion. Given resourcing levels, advisory work will be targeted on key transformation projects and the Service is unlikely to be able to provide support on more minor matters.

Given the limitations on audit resources there is an increasing need for more reliance to be placed by the Council on second line of defence functions (such as Finance, HR and Procurement). Potentially, audit will need to provide increased assurance on the effectiveness of those functions especially as budget constraints will inevitably also impact on them and hence on the overall assurance framework. We will avoid undertaking roles that are properly the responsibility of the first or second line of defence – these managers need to have sound controls and monitoring systems in place rather than relying on periodic internal audits to provide them with assurance. Assurance that these management functions are being properly discharged will be tested as part of the audit work.

Governance, risk and control issues continue to be an issue at Maintained schools with a number of schools experiencing financial difficulties. We plan to undertake some thematic audits, visiting a small sample of schools and sharing the key lessons more widely. Beyond that we will focus on the arrangements the Council has in place to identify as early as possible, and subsequently support, schools causing concern / in difficulty. Where a potential and significant financial irregularity is suspected at a school, we will investigate but we will not investigate minor suspected irregularities and will expect schools to resolve these, albeit with some support from audit as well as other support functions from across the council including finance and school advisers. Similarly, there is sometimes little value that an audit can add where the Council already knows of issues at a particular school.

The detailed plan

Based upon discussions with senior managers and our professional judgement an indicative priority and an estimated number of days have been allocated to each potential topic. The Council's strategic risks and the key planned work to provide assurance on these risks are shown in Annex 1. Demonstrating the assurances planned on each strategic risk and being transparent about auditable topics that cannot be audited are key requirements of internal audit professional standards and we therefore adopt a top-down approach with the plan being driven by key risks.

The outline plan in Annex 2 shows those topics that we are planning to audit and Annex 3 details an illustrative list of topics that we are not planning to audit. The plan takes into account the resources available within the audit service, risk and other assurance frameworks that exist from which the council can gain assurance.

As in previous years the plan covers one year which is accepted best professional practice. Whilst an indicative timing is included, and a view taken on time required, this is subject to review during the year e.g. when risks change or a specific project becomes a matter of priority or a significant fraud has to be investigated.

In addition to the assurance and advisory work listed, provision has been made in our work plan to:

- undertake investigations;
- complete outstanding 2023-24 audits;
- certification of financial returns where grant conditions require this; and
- counter-fraud work to maintain counter-fraud policies and to promote and raise the profile of counter fraud messages. This work will supplement the Council's on-going participation in the National Fraud Initiative which the internal audit team coordinates.

The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP) covering all aspects of the internal audit activity. We had a formal external review of compliance with the standards in 2023 and this confirmed compliance with all of the standards.

The QAIP includes internal assessments, periodic self-assessments and external assessments and is not only designed to assess the efficiency and effectiveness of Internal Audits, but also to enable an evaluation of the internal audit activity's conformance with the definition of internal auditing and the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. We have an Audit Manual based on accepted professional practice which as well as being compliant with PSIAS builds quality into every stage of the audit process. A summary of the QAIP is shown in Annex 4.

Paul Clarke
Internal Audit Manager (Head of Internal Audit)

March 2024

Strategic Risks

	Extract from Council's strategic risk register	Independent Assurance Sources	
	Strategic Risk Description	Other sources of assurance	Examples of proposed internal audit role / planned assignments
01.	Slow economic growth and increase in inequalities across communities		Capital planning and resourcing. WPDG, Highways contract
02.	Mismatch between demand and resources		Budgetary control, Resourcing to risk, Schools, Tendering
03.	Being unable to keep children and vulnerable adults safe	Ofsted, CQC	Virtual school, Childrens Homes, Data integrity, Safeguarding
04.	Lack of movement towards Sustainable Futures		Climate change
05.	Failure to operate		CRM platform, registration service, accounts payable
06	Insufficient skilled and experienced workforce		Innovation and improvement programme, IT access controls, Payroll
07.	Successful cyber attack	PSN certification	IT access controls
08.	A safe environment for colleagues may not be sustained		Capital planning and resourcing

Annex 2

Planned Work 2024-25

Strategic Priority:

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

Directorate	Service	Topic	Notes
Communities	Strategic Infrastructure and Climate Change	Capital planning and resourcing	Assurance on effective corporate control of capital planning and expenditure and the management of funding, including S106
Resources	Finance	WPDG - Property Development Group	WPDG - Assurance on adequacy of evolving governance including implementation of recommendations of a 2022/23 review
Communities	Environment, Planning and Transport	Highways contract procurement	To provide independent assurance on the procurement of a replacement of an existing contract which is coming to an end and needs to be replaced by September 2026
Communities	Fire	Fire Service culture	Assurance around actions following an external review to ensure fairness and transparency is being achieved
Communities	Fire	Fire Service - Resourcing to risk	Assurance around delivery of the outcomes agreed through the Resourcing to Risk review

Strategic Priority:

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

Directorate	Service	Topic	Notes
Communities	Environment, Planning and Transport	Home to school transport	Assurance around delivery of improved control, covering market management,contracting, effective working with Education and mitigating the financial challenge
Resources	Workforce and Local Services	Registration services	Service review including traded service aspects.
Resources	Enabling Services	CRM Platform	Assurance around delivery of business benefits from the new customer platform CRM system
Resources	Enabling Services	IT Access controls	Following a 2023-24 review of Unit4 access controls, this is to provide assurance on access to other key systems
Children and Young People	Education	Multiply Fund - Adult learners	There is a requirement from the external funder to have audit assurance over expenditure and compliance with grant conditions. This is to cover this requirement and also look to add value by reviewing the operation of the function.
Children and Young People	Education/ Children and Families	Virtual School	Virtual School - Cross-Directorate review between Children's and Families and Education relating to the Virtual School - how effective are we in meeting our responsibilities?
Children and Young People	Children and Families	Childrens Homes	Assurance of the roll-out of additional homes and controls including responsible officer
Children and Young People	Education	Themed schools visits	Focus on themes of budget management and deficits; also payroll controls.
Children and Young People	Education	Schools in financial difficulty	Working with Finance and Education to support timely identification of schools in financial difficulty with the aim of supporting improved financial management
Children and Young People	Education	Education Transformation Programme	The programme is being refreshed. The audit will provide assurance around management of the programme including sample testing of key projects

Directorate	Service	Topic	Notes
Social Care and Health	Health and Care Commissioning	Section 75 agreements	Review of how the S75 agreements support delivery of the Council's objectives and how risks associated with the S75 agreements are and will be managed.
Social Care and Health	Health and Care Commissioning	Care at Home re-procurement	Significant Care at Home tenders. Advisory review
Social Care and Health	Social Care and Support	Innovation and Improvement Programme.	Assurance around management of the programme including sample testing of key projects
Social Care and Health	Public Health	Public Health - Tackling health challenges	Planning, monitoring and delivery of improved health outcomes
Children and Young People	Education	Data integrity - Education and SEND	Assurance on progress with work to improve quality assurance and delivery of data integrity
Children and Young People	Children and Families	Early Years	Looking at the whole of early years and how early years joins up across education and children
Children and Young People	Children and Families	Safeguarding	Assurance on arrangements to meet the revised statutory guidance in Working Together to Safeguard Children 2023

Strategic Priority:

We want to be a County with a sustainable future which means adapting to and mitigating climate change and meeting net zero commitments

Directorate	Service	Topic	Notes
Communities	Strategic Infrastructure and Climate Change	Climate Change	Advisory work and Follow-up of previous review

Governance, Risk and Controls
Assurances and Advice

Directorate	Service	Topic	Notes
Resources	Finance	Budgetary Control	End-to-end review including interim arrangements, forecasting and journals
Resources	Finance	Accounting - Accruals, journals and control accounts	Assurance on effective controls and high standards of accounting practice
Resources	Finance	Accounts Payable	Key financial system assurance review to include controls related to supplier setup
Resources	Finance	Pensions service	Assurance review on Pensions administration, including self-service portal which is now in operation
Resources	Workforce and Local Services	Payroll	The Payroll service is provided to many external clients as well as to WCC. Having audited the WCC Payroll in 2023/24, this review is to focus on external clients, including assurance on service delivery, performance and controls
Resources	Enabling Services	Use of AI and IOT (Internet enabled devices)	Assurance around policy and compliance to ensure AI is properly incorporated into council policy and is used appropriately. Also to ensure that where internet enabled devices are used, the risks are understood and mitigated.

Illustration of auditable topics not planned for 2024-25

In addition to the coverage of key risk areas discussed at Annexes 1 and 2 above, the PSIAS requires the strategy to be open about those audit areas not covered in 2024-25. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2024-25. However, should planned audits not take place topics from this list can be substituted.

Directorate	Area
Resources	Change program and benefits realisation
Resources	Governance review of the Council Delivery Plan (not selected as an audit as this is part of business as usual and underpins all audit work)
Communities	Archaeology Warwickshire
People	Reablement service
Communities	Waste strategy
Resources	Recruitment and selection
Resources	Taxation compliance including IR35
Resources	Warwickshire Investment Fund
People	Safeguarding – Multi-agency safeguarding hub (MASH)
People	Direct Payments management
Resources	Performance Management

Annex 4: QAIP

Warwickshire County Council – Quality Assurance and Improvement Programme

Periodic external assessments against PSIAS. Annual inspections and internal quality audits to confirm compliance with ISO 9001:2008 and the Audit Manual. Robust performance monitoring.

Quality improvement plan - HIA reports to Audit Committee on the outcome of Quality Assurance including any improvement action plan and any significant non-conformance with PSIAS.

Ongoing monitoring and quality assurance is built into the audit process. Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied. Post assignment de-brief.

Head of Internal Audit

- Undertake an annual self-assessment against the requirements of PSIAS
- Develop and maintain a Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment in accordance with PSIAS requirements

Audit Managers

- Undertake supervision and review audit engagements
- Obtain assurance from supervision and review processes that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit manual / PSIAS
- Provide HIA with regular reports on outcome of reviews, performance against key service measures etc
- Provide feedback to auditors on quality of their work
- Promote high professional standards and compliance with audit manual / PSIAS
- Continually develop their team members

Auditors

- Conduct audit engagements in accordance with audit manual PSIAS
- Deliver all assignments on time and within budget

All

- Comply with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Committed to delivering high quality services and continuous improvement
- Promote the internal audit service
- Committed to continuing professional development

Appendix B

Audit Charter

"Providing assurance on the management of risks"

Warwickshire County Council

Working for Warwickshire

Audit Charter

“Providing assurance on the management of risks”

An Audit Charter is a mandatory requirement of the Public Sector Internal Audit Standards and the associated Local Government Application Note (PSIAS) and sets out the purpose, responsibilities and authority of the internal audit service within Warwickshire County Council.

This document was approved by the Internal Audit Board and endorsed by the Audit and Standards Committee on 25-3-21 and applies until amended.

Context

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 require local authorities to have a sound system of internal control which:

- facilitates the effective exercise of their functions and the achievement of its aims and objectives
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

Furthermore, the CIPFA/SOLACE governance framework “Delivering Good Governance in Local Government: Framework 2016” outlines the need for risk management to be embedded into the culture of the organisation, with members and officers recognising that risk management is an integral part of their jobs.

The requirement for an internal audit function is also contained in the Regulations which require the Authority to:

> “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit services for the County Council are provided by the Internal Audit Team within the Resources Directorate.

Definitions

The role of the “Board” outlined in the PSIAS is fulfilled by Corporate Board. The role of senior management is fulfilled by Corporate Board. The role of the Chief Audit Executive is fulfilled by the Internal Audit Manager.

Purpose

The Council has to comply with the PSIAS which define internal audit as:

> “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

The key word in the definition is assurance; the role of audit is primarily to provide reasonable assurance to the organisation (the Board, managers, Directors and the Audit and Standards Committee) and ultimately the taxpayers that the Authority maintains an effective control environment that enables it to manage its significant business risks. We do this by **providing risk-based and objective assurance, advice and insight**.

The IIA standards, on which PSIAS are based, define the mission of an effective internal audit function as:

> “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

Achievement of the mission is supported by a range of standards and guidance including: the Core Principles, the Definition of internal audit and a Code of Ethics.

For an audit function to be considered effective all of the following Core Principles must be present and operating effectively:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

The PSIAS includes a mandatory Code of Ethics (based on international IIA standards) covering integrity, objectivity, confidentiality and competency. All internal auditors in the public sector must also have regard to the Committee on Standards of Public Life’s Seven Principles of Public Life – the Nolan principles.

The service also assists the Executive Director For Resources in discharging his responsibilities under Section 151 of the Local Government Act 1972 which requires that authorities:

> “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

Scope and Responsibility

The service is responsible for providing assurance in accordance with all relevant professional standards and guidance across the council’s entire control environment and across all activities, including:

- services provided on behalf of other organisations by the Authority, and
- services provided by other organisations on behalf of the Authority.

In addition to core assurance work the service also provides the following work:

Consultancy / Advisory work

The service also undertakes consultancy and advisory work designed to add value and offer insights that should improve the effectiveness of risk management, control and governance processes at the request of the organisation, subject to the availability of skills and resources.

Due to its detailed knowledge of systems and processes internal audit is well placed to provide advice and support to managers on the implications of changes to policy or processes. As such, the service must be informed and consulted about plans for major or complex changes to systems. The service will advise / comment on proposed changes and the controls to be incorporated in new and revised systems when invited to do so or where agreed in the annual plan but the final decision on whether to accept the audit advice rests with the relevant manager(s). However, where appropriate the Internal Audit Manager may escalate the issue to more senior management. The provision of such advice does not prejudice the service’s right to evaluate the established systems and controls at a later date.

Fraud

All managers are responsible for the prevention and detection of fraud, corruption and other irregularities. However, the service assists with these responsibilities. Internal auditors when conducting audit assignments are alert to opportunities, such as control weaknesses that could allow fraud. If the service discovers evidence of a fraud or other irregularity the relevant line manager will be informed.

Smaller, less complicated investigations will be undertaken by the relevant managers but the service will investigate the more complicated or large cases of suspected fraud and other irregularities. It is the responsibility of the relevant line manager to determine what action to take as a result of the investigation.

Managers should immediately inform the Internal Audit Manager if a fraud or other irregularity is suspected who will then inform the Internal Audit Board of significant allegations. Managers should also ensure that:

- any supporting documentation or other evidence is secured; and
- confidentiality is maintained so as not to prejudice any subsequent investigation.

The service is responsible for reviewing the Authority's response to fraudulent activity in order to ensure that appropriate action has been taken. Once an investigation is concluded, the service will undertake a review to determine whether controls should be strengthened.

The Internal Audit Manager is responsible for reporting frauds and subsequent liaison with the Police and other investigative agencies.

Value for money

The service will offer advice and insight concerning instances of over control, or inefficiency, but will not specifically examine or evaluate the extent that value for money is achieved as part of our routine reviews.

Where specifically agreed in the audit plan the service will, subject to availability of resources, also:

- undertake or participate in specific value for money / service reviews; and
- facilitate the introduction of best practices across the Authority.

The scope of a value for money / service review will not normally overlap with the scope of an audit. However, the service will take account of the timing and scope of such reviews when planning its work.

Where a review team is actively looking at options that have a material impact on risks and controls the Internal Audit Manager must be informed at an early stage. Where requested, and subject to the agreement of the relevant manager, the service will assist reviewers by supplying information and knowledge gained during audits where this is relevant to the scope of the review.

Other

The Internal Audit Manager may, at the request of the Board, a senior manager or the Council or any of its committees, carry out investigations into issues where the Authority's strategic, corporate or financial interests are at stake.

Wherever possible staff responsible for providing advice on a particular topic will not undertake assurance work on that topic for at least 12 months. Where this is unavoidable management supervision will ensure that no conflict of interest arises and objectivity is maintained.

Any significant unplanned non-assurance work that would impact delivery of the core assurance work will require the prior approval of the Board.

Independence

The service is managed by the Internal Audit Manager who is professionally qualified as required by PSIAS. Although the Internal Audit Manager's direct reporting line is to the Strategy and Commissioning Manager (Treasury, Pensions, Audit, and Risk) he also reports functionally to the Internal Audit Board and has the right of direct access to members of the leadership team. The service also provides regular reports to the Council through its Audit and Standards Committee which has responsibility for overseeing audit arrangements.

The service does not have any executive responsibilities and is independent of the activities that it audits. This enables it to provide impartial and unbiased professional opinions and recommendations.

The service is free to plan, undertake and report on its work, as the Internal Audit Manager deems appropriate, in consultation with relevant managers and the Board.

Line managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate control and risk management arrangements exist without depending on internal audit activity.

The service provides advice and assistance to managers and provides assurance that their control responsibilities are being properly fulfilled. Line managers are accountable for accepting internal audit's advice and implementing their recommendations.

Audit and Standards Committee

The Council is responsible for maintaining an audit committee which complies with all relevant guidance. The committee's responsibilities include reviewing and commenting upon:

- formally approving the audit charter;
- formally approving (but not directing) the overall internal audit strategy and programme of audits to ensure that it meets the council's overall strategic direction (paying particular attention to whether there is sufficient and appropriate coverage);
- reviewing and commenting on summaries of work done, key findings, issues of concern and action in hand as a result of audit work; and
- receiving and reviewing the annual report from the Internal Audit Manager in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage.

Right of access

To undertake their work the service has unrestricted access to all the Authority's personnel, premises, documents, records, information and assets including those of partner organisations[1]. The service has authority to access all relevant computer data as part of their work, including that registered under the Data Protection Act.

The service is authorised to obtain the information and explanations they consider necessary from any employees, partners or agents of the Authority to fulfil their objectives and responsibilities. Managers must ensure that internal audit access is considered when preparing partnership agreements or contracts for the purchase or supply of goods and services.

The service has the right of access to any data required for their work that is owned by the Authority, but is processed or held elsewhere by third parties.

The Internal Audit Manager has the right of direct access to the Leader, Chief Executive, Executive Directors, Chair of the Audit and Standards Committee and Directors.

Standards

The service operates in accordance with the best practice standards and guidance in the PSIAS.

Individual auditors are required to comply with the standards, all relevant ethical and technical standards issued by their professional bodies and with all relevant codes of conduct issued by the Authority.

Internal auditors are expected to:
- exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
- maintain and keep up to date their professional knowledge and skills and to participate in any continuing professional development scheme (CPD) operated by their professional body;
- participate in the Warwickshire County Council's staff appraisal scheme;
- comply with the Authority's rules about declaring interests; and
- obtain and record sufficient audit evidence to support their findings and recommendations.

The service will safeguard the information obtained in carrying out its duties. Information obtained will not be disclosed unless there is a legal or professional requirement to do so (for example under the Freedom of Information Act) or used for personal gain.

Planning

Internal audit work is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources.

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[1] Regulation 5 Accounts and Audit Regulations 2015

The Internal Audit Manager produces annual plans. These plans are developed in consultation with senior managers and take account of the Authority's aims, strategies, key objectives, associated risks, and risk management processes.

The Board agrees each year's plan which is endorsed by the Audit and Standards Committee. These plans will normally include an element of contingency to allow internal audit to be responsive to changing conditions and requests for assistance from managers. It is the responsibility of the Board to ensure that the budget and resources allocated to internal audit are sufficient to ensure that these plans can be delivered. This is assessed as part of the business planning process.

The Internal Audit Manager is authorised to amend the plan during the year as necessary to reflect changes to systems or processes or in the risks facing the Authority. Any significant changes will be reported to the Board. All managers are expected to notify the service of any issues that may potentially require a change in the plan as soon as they become aware of them.

Terms of reference are usually prepared for each routine assignment and usually discussed with relevant line managers before the work is started.

Reasonable notice will usually be given to the relevant manager of the start of an audit and the service will minimise any disruption to the smooth running of the unit under review. However, the service reserves the right for unannounced visits where the Internal Audit Manager considers it necessary.

Reporting

All findings are reported to appropriate managers. Significant issues are reported in writing. The reports include an opinion on the adequacy of controls in the area reviewed, make recommendations for improvement and specify the officer responsible for implementation. Opinions on individual assignments feed into the overall opinion given in the annual report. Recommendations are prioritised.

Reports will usually be agreed with the relevant manager and the final agreed report will be copied to the relevant Director and Executive Director. Reports identifying significant financial issues will also be copied to the Executive Director For Resources.

The Internal Audit Manager is responsible for monitoring and reporting to the Board on the extent of implementation of agreed internal audit recommendations.

The Internal Audit Manager submits regular reports to the Board and Audit and Standards Committee summarising the results of audits and progress in implementing audit recommendations. An annual report will be provided giving an opinion on the Authority's control environment and which feeds into the annual review of the effectiveness of the Authority's system of internal control and the Annual Governance Statement.

Co-operation

The Internal Audit Manager co-ordinates internal audit plans and activities with other internal and external providers of assurance, to ensure the most efficient use of the total resources devoted to audit. However, as recognised in professional standards (ISA 610) external audit and internal audit have different objectives and priorities. The Internal Audit Manager is authorised to share information with external auditors and the Cabinet Office (for the purposes of the National Fraud Initiative). The Internal Audit Manager will liaise as appropriate with those involved in risk management and other policy and assurance providers, internal and external, sharing information and co-ordinating work as far as is practicable, in line with appropriate professional standards and other confidentiality considerations.

The service will work in partnership with other parts of the organisation on such matters as corporate governance, data protection, contracting and risk management.

It is the responsibility of every manager to be open, frank and honest at all times about any risks, concerns or problems that may exist and should provide more detailed information and evidence to internal audit within a reasonable time scale.

Where services are provided by or to other organisations the Internal Audit Manager is authorised to agree the responsibility for internal audit of those services with the internal auditors of those organisations and to share relevant information. Managers setting up a shared service / partnership must consider the requirement for assurances in relation to what they are doing, including the option of internal audit work, and must include appropriate assurance obligations and internal audit access rights in any agreement.

Quality of service

The Internal Audit Manager manages a quality assurance programme to ensure that internal audit work complies with professional standards and achieves its objectives.

The service takes the following steps to provide a quality service:
- adopts a flexible risk driven approach;
- works in partnership with managers and staff to develop and maintain adequate and reliable systems of internal control;
- continually seeks to improve the efficiency of its services in consultation with managers from across the Authority; and
- regularly reviews its procedures to ensure that they remain appropriate.

The quality assurance programme includes:
- suitable guidance, support and review of all internal audit work;
- seeking feedback from line managers on the quality of internal audit work;
- periodic internal quality audits to monitor services provided by all internal auditors; and
- regular internal and external assessments in accordance with the PSIAS and IIA global standards.

The Internal Audit Manager will investigate and respond promptly to all complaints about internal auditors or the service provided.

Paul Clarke
Internal Audit Manager

Audit and Standards Committee
Work Programme March 2024

Item	Details	Lead Officer	Date of meeting
14 March 2024			
CIPFA Financial Management Code WCC Self-Assessment 2023/24	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/Andrew Harper	**14 March 2024**
WCC 22/23 Audit Findings Report - Update	An update from the external auditors on progress to date on their work and on key issues within the sector as they impact on the work and role of the Committee	External Auditors – Grant Thornton	**14 March 2024**
External Auditors Report - WCC Financial Year 23/24 Audit Plan	A report presenting the External auditors plan for the review of WCC accounts 23/24.	WCC – Virginia Rennie/Andrew Harper	**14 March 2024**
Final Audit Findings Report for 22/23 Pension Fund Accounts	A report presenting the final audit findings report from Grant Thornton in respect of the 22/23 pension fund accounts.	Chris Norton	**14 March 2024**
External Audit Plan for Warwickshire Pension Fund 23/24 Accounts	A report presenting the audit plan from Grant Thornton, external auditors for the Warwickshire Pension fund for the review of the 23/24 accounts.	Grant Thornton / Chris Norton	**14 March 2024**
Internal Audit Plan 2024/25	Internal audit plan and strategy for 24/25	Paul Clarke	14 March 2024

Audit and Standards Committee
Work Programme March 2024

Item	Details	Lead Officer	Date of meeting
Internal Audit Update Report (exempt)	A report on the outcome of Internal Audit work to date in 2023/24.	Paul Clarke	14 March 2024
14 March 2024			
Annual Governance Statement 2023/24 Draft	A report presenting the Annual Governance Statement for 23/24 in draft format – for review and comment.	Liz Morris	23 May 2024

Agenda Item 11

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Agenda Item 12

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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