

# The Audit Findings for Warwickshire Pension Fund

Year ended 31 March 2022



# Contents



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## Section

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

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Management Letter of Representation

## Page

- 3
- 4
- 16
- 19
- 21
- 22
- 24
- 25
- 30

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

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwickshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

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## Financial Statements

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

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

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

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

- receipt of management representation letter – see Appendix F; and
- review of the Annual report for consistency with the audited financial statements; 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 audit report opinion will be unmodified.

# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

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

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

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding matters being resolved, we anticipate issuing an unqualified audit opinion following the meeting of the full Council on 7 February 2023, as detailed in Appendix E.

### Acknowledgements

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

## 2. Financial Statements



### Our approach to materiality

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

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

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



	Amount (£)	Qualitative factors considered
Materiality for the financial statements	25,000,000	Materiality for the Pension Fund was set at 1% of prior year net assets. This benchmark is considered the most appropriate based on the nature of the Pension Fund and is capped to reflect the risk associated with the Pension Fund, and regulatory expectation of audit firms.
Performance materiality	18,750,000	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> <li>• We are not aware of a history of significant deficiencies in the control environment.</li> <li>• There has not historically been a large number or significant misstatements arising; and</li> <li>• Senior management and key reporting personnel has remained stable from the prior year audit</li> </ul>
Trivial matters	1,250,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.

## 2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p data-bbox="120 576 562 598">Fraud in revenue recognition (rebutted)</p> <p data-bbox="120 619 779 756">Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p data-bbox="120 777 779 882">Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul data-bbox="120 903 779 1090" style="list-style-type: none"> <li data-bbox="120 903 779 925">• there is little incentive to manipulate revenue recognition</li> <li data-bbox="120 946 779 994">• opportunities to manipulate revenue recognition are very limited</li> <li data-bbox="120 1015 779 1090">• the culture and ethical frameworks of local authorities, including Warwickshire Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p data-bbox="120 1110 779 1158">Therefore we do not consider this to be a significant risk for Warwickshire Pension Fund.</p>	<p data-bbox="804 576 931 598">Conclusion</p> <p data-bbox="804 619 2033 667">No changes noted from risk assessment performed at the audit planning stage and therefore no detailed procedures undertaken.</p>

## 2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
<p>The expenditure cycle includes fraudulent transactions (rebutted)</p> <p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets.</p> <p>Having considered the risk factors relevant to the Pension Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests mentioned and our testing in relation to the significant risk of management override of control as mentioned below.</p>	<p><b>Conclusion</b></p> <p>No changes noted from risk assessment performed at the audit planning stage and therefore no detailed procedures undertaken.</p>
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p><b>Conclusion</b></p> <p>As a result of our journals work to address the significant risk of management override of control, we have not identified any significant issues. As noted in further detail on page 19, we have highlighted a control observation and recommendation in regard to journals for the attention of management and those charged with governance.</p> <p>In addition to this, we have concluded that there are no indications of management bias in estimates included in the financial statements.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Level 3 Investments

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

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

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

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

### Commentary

We have:

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

#### Conclusion

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

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

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




## 2. Financial Statements – new issues and risks

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





Issue	Commentary	Auditor view
<p><b>IT Audit</b></p> <p>Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council and Pension Fund that was performed in the prior year. This included the following systems:</p> <ul style="list-style-type: none"> <li>• Agresso</li> <li>• Altair</li> <li>• YourHR (iTrent)</li> <li>• Active Directory</li> </ul>	<p>This has identified the following new issue and risk:</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>The review also highlighted residual risks that have not been addressed from the prior year:</p> <ul style="list-style-type: none"> <li>• Generic shared user accounts within systems that increase the risk of unauthorised or inappropriate changes to the database that may not be traceable to an individual; and</li> <li>• Lack of review of information security event/ audit logs</li> </ul> <p>Two further residual risks highlighted in the prior period were also unresolved however these are green RAG rated and therefore only deemed to be control improvements.</p>	<p>See appendix A for control deficiencies reported and recommendations.</p> <p>In respect of the new risk identified, we have considered this in our response to the significant risk of management override of controls and have not noted any instances whereby individuals with ‘super user’ access levels have posted journal entries to the ledger.</p> <p>In addition to this, as part of our work on journals we noted that entries were posted in year by generic accounts ‘SYSTEM’ and ‘HLIL’. This is consistent with the prior period and our understanding is that these accounts are regularly used for operational purposes. We have gained an understanding of the nature of these accounts and extracted all journals posted by them in the period. A high level review of activity confirmed that postings made were in line with our expectation and no anomalies were identified for further detailed testing.</p> <p>As a result of audit procedures performed, we have not identified any actual or suspected instances of management override of control.</p>

## 2. Financial Statements – key judgements and estimates


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

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





### Assessment

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

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 2 Investments – £2,296m</b>	<p>The Pension Fund have investments in pooled investments and pooled property funds that in total are valued on the balance sheet as at 31 March 2022 at £2,296m.</p> <p>Management receive quarterly performance reports which are reviewed and subsequently presented to the Investments Sub-Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund manager's will periodically attend committee which provides opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>No alternative assumptions are considered by management, who place reliance on the fund manager's as experts.</p> <p>In order to determine the value, management's experts utilise prices where published and net asset value (NAV).</p> <p>The value of the investment has increased by £246m in 2021/22. In the current year, the fund divested a significant amount of Level 1 assets Held and reinvested this amount into the Border to Cost pooled investment vehicle.</p>	<ul style="list-style-type: none"> <li>We are satisfied that management's experts, the various fund manager's, are competent, capable and objective</li> <li>We obtained direct confirmation from fund manager's of the investment value at the year-end, as well as internal controls reports and audited financial statements where available to give us assurance over the valuation methodology and fair value of assets. This identified no significant issues with the controls and processes in place at fund manager level</li> <li>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</li> <li>Our detailed substantive testing identified two differences above triviality between fund manager confirmation and reported asset values. Management have not adjusted the financial statements for variances noted as these are immaterial.</li> <li>The estimate is adequately disclosed in the financial statements</li> </ul>	<p> We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

### Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Actuarial present value of promised retirement benefits - £949m	<p>The Pension Fund's net pension liability at 31 March 2022 is £949m (PY £1,307m). The Pension Fund uses Hymans Robertson to provide actuarial valuations of the Fund's assets and liabilities. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019 with the 2022 valuation underway. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. However, it gives three options for disclosure:</p> <p>Option A – in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit</p> <p>Option B – in the notes to the accounts</p> <p>Option C – by reference to this information in an accompanying actuarial report.</p> <p>In the case of Warwickshire, option B has been adopted and disclosed accordingly.</p>	<ul style="list-style-type: none"> <li>We are satisfied that management's expert, Hymans Robertson is competent, capable and objective</li> <li>Underlying information used to determine the estimate has been appropriately rolled forward from the latest triennial valuation</li> <li>The actuarial methodology applied in calculating the estimate is reasonable and in line with industry practice and peers</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.70%</td> <td>2.70% to 2.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.20%</td> <td>3.15% to 3.30%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.00%</td> <td>3.70% to 5.70%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.7/ 21.6</td> <td>21.4 to 24.3 and 20.1 to 22.7.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.9/ 24.1</td> <td>24.8 to 26.7 and 22.9 to 24.9</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>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</li> <li>Sensitivities disclosed in the note to the financial statements are reasonable</li> <li>The estimate has been appropriately included in the key areas of estimation uncertainty disclosure</li> <li>The estimate is adequately disclosed in the financial statements</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.70%	2.70% to 2.75%	●	Pension increase rate	3.20%	3.15% to 3.30%	●	Salary growth	4.00%	3.70% to 5.70%	●	Life expectancy – Males currently aged 45 / 65	22.7/ 21.6	21.4 to 24.3 and 20.1 to 22.7.3	●	Life expectancy – Females currently aged 45 / 65	25.9/ 24.1	24.8 to 26.7 and 22.9 to 24.9	●	<p>●</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
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## Assessment

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- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee and not been made aware of any material incidents in the period. In addition to this, no issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have reviewed breaches in the period reported to the Pensions Regulator and are satisfied that these have been adequately addressed.
Written representations	A letter of representation has been requested from the Pension Fund, which is appended and included in the Audit and Standards Committee papers
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bodies with which the Pension Fund hold cash and cash equivalent balances and investments. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions, see Appendix C for disclosure changes proposed as a result of audit procedures performed
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

## 2. Financial Statements - other communication requirements



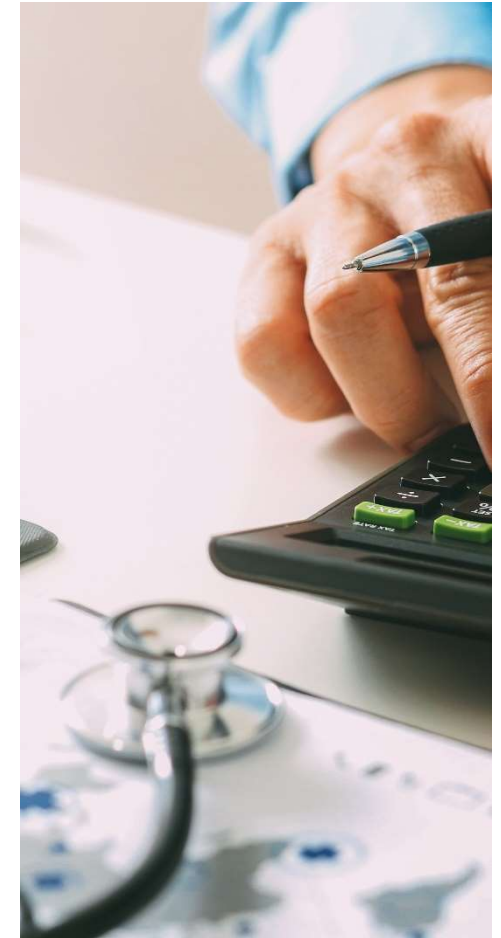
### Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund’s financial reporting framework</li> <li>the Pension Fund’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>The draft Pension Fund Annual Report has been produced and we will review this in January 2023. We anticipate issuing our separate consistency opinion at the same time as the financial statements opinion following the meeting of the full Council on 7 February 2023.</p>



# 3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report)



# 3. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.


Service	Fees £	Threats identified	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	8,000	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,000 in comparison to the total fee for the audit of £31,060 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The Pension Fund can recover the costs of this work from the admitted bodies should it wish to do so.

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




# Appendices

# A. Action plan – Audit of Financial Statements

We have identified one recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2022/23 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	<p><b>Journals review and approval</b></p> <p>Currently there are no review and approval mechanisms in place in respect of journal postings to the ledger i.e. where an individual has appropriate access, they are able to do this without any independent review or segregation of duties.</p> <p>It should be noted that this does not reflect a change in the business processes of the Pension Fund and this is consistent with prior periods but rather, is being highlighted due to a change in our approach to journals testing.</p> <p>There are compensatory controls in place in the form of budget monitoring and by the restriction of relevant access as alluded to however this still increases the risk of management override of controls.</p>	<p>We recommend that the journal entry process is reviewed to determine whether further segregation of duties can be introduced.</p> <p><b>Management response</b></p> <p>The arrangements for the entry and sign off of journals will be reviewed internally and additional recommendations regarding controls will be considered.</p>

## Controls

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

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

Assessment	Issue and risk	Recommendations
●	<p><b>IT general controls audit</b></p> <p>Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council and Pension Fund that was performed in the prior year. This identified the following new deficiency:</p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>A separate audit findings report has been issued to management in respect of our IT general controls audit with recommendations for the control deficiencies identified adjacent.</p> <p><b>Management response</b></p> <p>This will be investigated and any recommendations as to alternative options that mitigate risk and have regard to the size and make up of the teams will be considered.</p>
●	<p><b>Contributions</b></p> <p>A number of contributions samples reflected trivial differences between contribution amounts as per employer monthly returns through the i-connect system, and actual payments received by the fund.</p> <p>Where this was the case, we requested evidence of the Fund communicating with employers to reconcile the differences. The Fund have been able to provide evidence of communication for only one of the discrepancies.</p>	<p>While amounts are insignificant, as a good practice control point we would recommend that the Fund investigate discrepancies in payments with employers where these arise.</p> <p><b>Management response</b></p> <p>Processes will be reviewed to ensure communication of discrepancies with employers, and the Fund will look into and consider processes to require employers to highlight any known discrepancies at the point of submission of data.</p>

## Controls

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

# B. Follow up of prior year recommendations

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

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

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

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

## Impact of adjusted misstatements

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

## Impact of unadjusted misstatements

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

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

## Impact of prior year unadjusted misstatements

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

# C. Audit Adjustments (continued)

## Misclassification and disclosure changes

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

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

# D. Fees

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

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

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

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

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

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

- Increase in IAS 19 fee - £1k

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



# E. Audit opinion

Our audit opinion is included below.

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

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

## Opinion

We have audited the financial statements of Warwickshire Pension Fund (the 'Pension Fund') administered by Warwickshire County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Warwickshire Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

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

# E. Audit opinion

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

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

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

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

## Other information

The Strategic Director for Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

## Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

# E. Audit opinion

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director for Resources. The Strategic Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Strategic Director for Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

# E. Audit opinion

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

# E. Audit opinion

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

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

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Birmingham

7 February 2023

# F. Management Letter of Representation

Grant Thornton UK LLP

17<sup>th</sup> Floor

103 Colmore Row

Birmingham

B3 3AG

7 February 2023

Dear Sirs

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

This representation letter is provided in connection with the audit of the financial statements of Warwickshire Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

## Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- i. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- ii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 1, 2 and 3 investments and the net pension fund liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- v. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

# F. Management Letter of Representation

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

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

## Information Provided

- i. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
    - a. management;
    - b. employees who have significant roles in internal control; or
    - c. others where the fraud could have a material effect on the financial statements.
  - ii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

# F. Management Letter of Representation

- i. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- ii. We have drawn to your attention all correspondence and notes of meetings with regulators.
  
- i. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- ii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- iii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Fund's Audit and Standards Committee at its meeting in January 2023.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Fund





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