

The Audit Findings for Warwickshire County Council

Year ended 31 March 2022



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

Avtar Sohal

Name : Avtar Sohal

For Grant Thornton UK LLP

Date : March 2023

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

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1. Headlines

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

Financial Statements

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

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

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

Our audit work was completed through a mixture of on site and remote working during July-January. Our findings are summarised on pages 7 to 17. We have identified one adjustment to the financial statements in respect of the Collection Fund that would have resulted in an impact on the Council's Comprehensive Income and Expenditure Statement, however as this is immaterial management have determined that no adjustment has been made and this has been reported as unadjusted accordingly. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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

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

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

Our audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work, which is summarised on page 19, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and we have not reported any significant weaknesses or made key recommendations as a result of our assessment.

Statutory duties

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

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

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

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

Significant Matters

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

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

There were no further changes to our audit approach.

Conclusion

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

Acknowledgements

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

2. Financial Statements



Our approach to materiality

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

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

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



Amount (£) Qualitative factors considered

Materiality for the financial statements	15,200,000	We determined materiality for the audit of the Council's financial statements as a whole to be £15.2m in our audit plan which equated to approximately 1.5% of the Council's 2020-21 gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding. As a Firm we cap materiality at 1.5% to reflect the risk associated with a large and complex authority such as Warwickshire County Council, and regulatory expectation of audit firms.
Performance materiality	11,400,000	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> • We are not aware of a history of significant deficiencies in the control environment. • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	760,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.
Materiality for senior officer remuneration	21,145	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. Materiality has been set at 1.5% of the total value of remuneration in the 2021-22 period.

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in revenue recognition (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Warwickshire County Council.</p>	No detailed audit procedures proposed
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets.</p> <p>Having considered the risk factors relevant to the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply.</p> <p>We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests performed in relation to liabilities and our work in relation to the significant risk of management override of control as mentioned above.</p>	No detailed audit procedures proposed

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

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

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

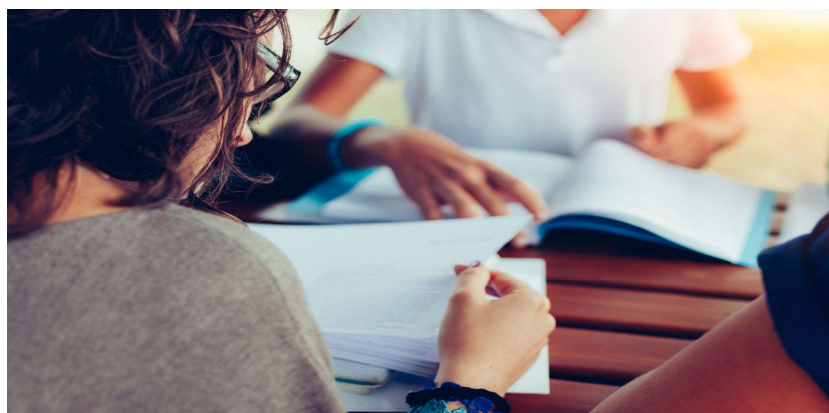
We have:

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

Conclusion

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

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



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

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

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

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

We have:

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

Conclusion

We have reviewed the accounting estimate for year ended 31 March 2022 as performed by current valuer WHE and are satisfied that this has been calculated on a reasonable and appropriate basis in line with the relevant accounting and other professional standards and is free from material misstatement.

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

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

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

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

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

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the net defined benefit pension fund liability

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

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

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

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

We have:

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

Conclusion

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

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

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

2. Financial Statements – new issues and risks

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


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

2. Financial Statements – new issues and risks

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

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £678.4m	<p>Other land and buildings comprises of specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision and assets not specialised in nature, and are required to be valued at existing use in value (EUV) at year end.</p> <p>Surplus assets are measured at fair value at the balance sheet date, based on highest and best use.</p> <p>The Council has engaged Wilks Head & Eve to complete the valuation of all assets as at 31 March 2022 which represents a change in expert from the prior period.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs, internal floor areas and pupil numbers; and for both EUV and DRC assets: condition assessments from inspections carried out, information provided by the Council and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>The valuation of properties valued by the valuer has resulted in a surplus on revaluation of £103.5m. There are a number of factors which have led to this increase however the most marked increase is due to the inflationary impact on relevant indices in 2022.</p>	<ul style="list-style-type: none"> • We are satisfied that management's expert, is competent, capable and objective • We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations • We have validated sources of information used by management and the valuer for a sample of assets. • We have analysed the method, data and assumptions used by management to derive the estimate • The estimate is adequately disclosed in the financial statements. • We are satisfied that the prior period valuation is accurately stated in all material respects 	<p> We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

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



2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £901.1m	<p>The Council's total net pension liability at 31 March 2022 is £901.1m (PY £1,062.8m), comprising the Warwickshire Local Government pension scheme, firefighters pension schemes and teachers unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019 and the results of the 2022 valuation are currently awaited. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £161.7m net actuarial loss during 2021/212</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, Hymans Robertson is competent, capable and objective Underlying information used to determine the estimate has been appropriately rolled forward from the latest triennial valuation The actuarial methodology applied in calculating the estimate is reasonable and in line with industry practice and peers <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>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>3.15% to 4.30%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.6/ 22.7</td> <td>20.1 to 22.7 and 21.4 to 24.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.1/ 25.9</td> <td>22.9 to 24.9 and 24.8 to 26.7</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The estimate of the net defined liability is lower than in the prior period which is in line with the expectation of our auditor's expert Sensitivities disclosed in the note to the financial statements are reasonable The estimate has been appropriately included in the key areas of estimation uncertainty disclosure The estimate is adequately disclosed in the financial statements 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.70%	2.70% to 2.75%	●	Pension increase rate	3.20%	3.15% to 3.30%	●	Salary growth	4.00%	3.15% to 4.30%	●	Life expectancy – Males currently aged 45 / 65	21.6/ 22.7	20.1 to 22.7 and 21.4 to 24.3	●	Life expectancy – Females currently aged 45 / 65	24.1/ 25.9	22.9 to 24.9 and 24.8 to 26.7	●	<p>●</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.70%	2.70% to 2.75%	●																								
Pension increase rate	3.20%	3.15% to 3.30%	●																								
Salary growth	4.00%	3.15% to 4.30%	●																								
Life expectancy – Males currently aged 45 / 65	21.6/ 22.7	20.1 to 22.7 and 21.4 to 24.3	●																								
Life expectancy – Females currently aged 45 / 65	24.1/ 25.9	22.9 to 24.9 and 24.8 to 26.7	●																								





Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £518.9m	The Authority have received substantial grant funding in the year. These revenue streams are reviewed for terms and conditions which may indicate that the Authority is only acting as a distributing agent and therefore this income would not be recognised in the financial statements. Where the Authority is acting as Principal, this income is recognised accordingly in the Comprehensive income and expenditure statement and balance sheet where applicable.	<ul style="list-style-type: none"> Grant income has been tested substantively on a sample basis and for amounts recognised in the financial statements, we are satisfied that this is appropriate on a principal basis. Where grant restrictions are in place, these have been adhered to and amounts held. We are satisfied that underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income are complete and accurate The disclosure of accounting treatment and key judgements made by management in the financial statements is adequate 	<p> We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Minimum Revenue Provision - £10.9m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £10.9m, which was broadly consistent with 2020/21.</p>	<ul style="list-style-type: none"> The MRP has been calculated in line with the prior period and on a prudent basis as required by statutory guidance. This is determined on a straight line basis of the remaining useful economical life of assets acquired by debt No changes to the authority's policy on MRP have been made and therefore there was no requirement to discuss and agree with those charged with governance 	<p> We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

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

2. Financial Statements - other communication requirements

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



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

2. Financial Statements - other communication requirements



Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the threshold and therefore on receipt of 2021/22 assurance statement this will be submitted in line with the relevant deadline</p>
Certification of the closure of the audit	<p>We intend to delay the certification as the closure of the 2021/22 audit of Warwickshire County Council in the audit report, as detailed in Appendix D, due to incomplete WGA procedures as noted above and an outstanding accounts objection to the 2017/18 accounts. We have considered the nature of this objection, and are satisfied that amounts concerned are clearly trivial, and therefore it has no impact on our audit report.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

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

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

5. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

Transparency

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

5. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	7,500	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £116,295 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management	Changes to the return and the factual accuracy of our report will be agreed with informed management.
Non-audit related			
CFO Insights Subscription	12,500	Self-Interest	A £37,500 for a three year subscription to CFO insights (£12,500 per year) was paid by the Council in 2022/23. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £116,295 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

Appendices

A. Action plan – Audit of Financial Statements

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	<p>Journals review and approval</p> <p>Currently there are no review and approval mechanisms in place in respect of journal postings to the ledger i.e. where an individual has appropriate access, they are able to do this without any independent review or segregation of duties.</p> <p>It should be noted that this does not reflect a change in the business processes of the Council and this is consistent with prior periods but rather, is being highlighted due to a change in our approach to journals testing.</p> <p>There are compensatory controls in place in the form of budget monitoring and by the restriction of relevant access as alluded to however this still increases the risk of management override of controls.</p>	<p>We recommend that the journal entry process is reviewed to determine whether further segregation of duties can be introduced.</p> <p>Management response</p> <p>The arrangements for the entry and sign off of journals will be reviewed internally and additional recommendations regarding controls will be considered.</p>
●	<p>IT general controls audit</p> <p>Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council and Pension Fund that was performed in the prior year. This identified the following new deficiency:</p> <ul style="list-style-type: none"> Lack of segregation of duties whereby seven members of staff have administrative and financial privileges that create a risk that system enforced internal controls can be bypassed. 	<p>A separate audit findings report has been issued to management in respect of our IT general controls audit with recommendations for the control deficiencies identified adjacent.</p> <p>Management response</p> <p>This will be investigated and any recommendations as to alternative options that mitigate risk and have regard to the size and make up of teams will be considered</p>

Controls

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

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

Assessment	Issue and risk	Recommendations
●	<p>Infrastructure Assets</p> <p>Currently, infrastructure assets are recorded as single line in the authority's fixed asset register and are depreciated using a blanket useful economic life of 30 years.</p> <p>While we are satisfied that this would not lead to a material misstatement of depreciation charged, in line with accounting standards each class of assets should be considered on its own merits and we would therefore expect that more precise recording of infrastructure assets is undertaken and the estimate of useful economic life is specific to the anticipated rate of economic consumption of a particular asset.</p>	<p>Notwithstanding the statutory instrument that has been issued, which is intended to be a short term solution, we recommend that management review the accounting arrangements for infrastructure assets e.g. introducing procedures for more detailed and individual recording of assets, and in particular the estimate of useful economic life for reasonableness.</p> <p>Management response</p>
●	<p>Academy school disposals</p> <p>Our review of disposals in the period identified £2.6m of disposals linked to schools which had converted to academy trust status in the prior year ended 31 March 2021. There is a risk therefore that fixed assets may be overstated if disposals are not recorded in the correct period.</p>	<p>We would recommend that management continue to review disposals schedules to ensure these are complete.</p> <p>Management response</p>

Controls

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

B. Follow up of prior year recommendations

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

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

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

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



Impact of adjusted misstatements

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

Impact of unadjusted misstatements

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

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

Impact of prior year unadjusted misstatements

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

C. Audit Adjustments

Misclassification and disclosure changes

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

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

D. Fees

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

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

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

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

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

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

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

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

Fee Analysis

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

E. Audit opinion

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

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Warwickshire County Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and include the Firefighters' Pension Fund financial statements comprising the Fund Account and Firefighters Pension Fund Net Assets Statement and notes to the Firefighters' Pension Fund Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's

responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

E. Audit opinion

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

E. Audit opinion

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

As explained in the Statement of Responsibilities set out on page 10, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director for Resources. The Strategic Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

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

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

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

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

E. Audit opinion

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

E. Audit opinion

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

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

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

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

We have nothing to report in respect of the above matter

Responsibilities of the Authority

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

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

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

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

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

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

E. Audit opinion

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

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

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

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

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

Use of our report

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

Avtar Sohal, Key Audit Partner

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

Birmingham

Date: 7 February 2023

F. Management Letter of Representation

Grant Thornton UK LLP

17th Floor

103 Colmore Row

Birmingham

B3 3AG

7 February 2023

Dear Sirs

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

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

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

Financial Statements

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

- i. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- ii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings, valuation of the pension fund liability, depreciation, provisions and accruals and fair value estimates. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- v. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

F. Management Letter of Representation

- i. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- iii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- iv. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- v. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- vi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- vii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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

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

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

Information Provided

- i. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

F. Management Letter of Representation

- i. We have communicated to you all deficiencies in internal control of which management is aware.
- ii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- iii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- ii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- iii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- iv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- v. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

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

Yours faithfully,

Name: Dave Humphreys

Position: Chair of the Council

Date: 7 February 2023

Name: Rob Powell

Position: Strategic Director for Resources and Section 151 Officer

Date: 7 February 2023

Signed on behalf of the Council



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