This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

Warwickshire County Council audit plan

Year ending 31 March 2024

March 2024

Contents

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

Key matters

National context

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

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

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

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

Audit Reporting Delays

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

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

Key matters - continued

Our Responses

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

Introduction and headlines

Purpose

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

Respective responsibilities

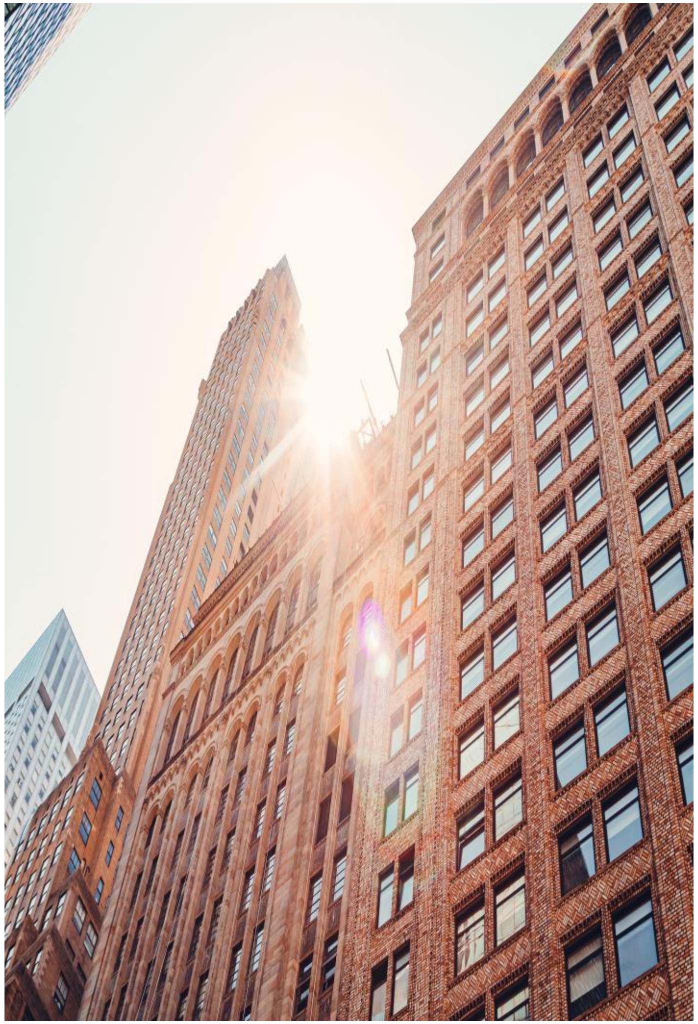
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment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

Scope of our audit

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

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

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



Introduction and headlines

Significant risks

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

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

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

Materiality

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

Value for Money arrangements

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

Audit logistics

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

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

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

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

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

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

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

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the net defined benefit pension fund liability	The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statement. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS19 estimates are routine and commonly applied by all actuarial firms, in line with the requirements set out in the Code of Practice for Local Government Accounting (the applicable financial reporting framework). We have, therefore, concluded that there is not a significant risk of material misstatement in the IAS19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase, life expectancy) can have a significant impact on the estimated IAS19 liability. We have, therefore, concluded that there is a significant risk of material misstatement in the IAS19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have identified valuation of the Council's pension fund net liability as a significant risk.	We will: • Update our understanding of the processes and controls put in place by management and ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of associated controls • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assess the competence, capabilities, and objectivity of the actuary who carried out the Council's pension fund valuation • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Test the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by the reviewing report of the consulting actuary (as auditors' expert) and performing any additional procedures suggested within the report • Obtain assurances from the auditor of Warwickshire Pension Fund as the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the Pension Fund and the fund assets valuation in the Pension Fund financial statements

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

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

Significant risks identified - continued

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

Other matters

Other work

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

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

Other material balances and transactions

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

Progress against prior year audit recommendations

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

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

Controls

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

Progress against prior year audit recommendations

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

Controls

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

Progress against prior year audit recommendations

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

Controls

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

Our approach to materiality

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

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

IT audit strategy

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

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

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

Value for Money arrangements

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

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

Audit logistics and team

Jaskaran Notta, Audit In-charge

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

Harkamal Vaid, Audit Manager

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

Avtar Sohal, Key Audit Partner

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

Audited Entity responsibilities

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

Our requirements

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

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

Audit fees and updated Auditing Standards

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

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

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

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

Assumptions

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

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

Updated Auditing Standards

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

Audit fees

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

Previous year

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

Relevant professional standards

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

IFRS 16 'Leases' and related disclosures

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

Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

Council's systems and processes

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

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

Further information

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

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

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Independence and non-audit services

Other services

The following other service is provided by Grant Thornton:

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

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

This service provided is not subject to a contingent fee.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers Pension Return	12,500	Self-Interest, Self Review, Management (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £294,885 and in particular, relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. We have also not prepared any elements of the return and are carrying out work on information submitted by the Council. The scope of our work does not include making any decisions on behalf of management of recommending a particular course of action. We will perform this engagement in line with the Reporting Accountant Guidance issued by Teachers Pension. These factors all mitigate the perceived self-interest, self-review and management threats to an acceptable level.

Communication of audit matters with those charged with governance

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

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

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

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

Communication of audit matters with those charged with governance

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

Respective responsibilities

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

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

Grant Thornton

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