The Audit Findings Report for Warwickshire Pension Fund

Year ended 31 March 2023

Contents

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

Avtar S Sohal

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

1. Headlines

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

Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely and partly on-site during September-November. Our findings are summarised on pages 5 to 17. We have identified no adjustments to the Pension Fund's reported financial position but have identified one unadjusted misstatement which indicates a net asset understatement of £9.857m. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow-up of recommendations from the prior year's audit are detailed in Appendix C.

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

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

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

Our anticipated opinion on the financial statements will be unmodified.

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

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

1. Headlines

National context – audit backlog

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

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

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

Local context - triennial valuation

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

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

2. Financial Statements

Overview of the scope of our audit

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

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

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

Audit approach

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

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

Conclusion

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

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

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

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	41,500,000	Materiality for the Pension Fund was set at 1.5% of prior year gross assets. This benchmark is considered the most appropriate based on the nature of the Pension Fund and is capped to reflect the risk associated with the Pension Fund, and regulatory expectation of audit firms.
Performance materiality	31,125,000	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based on a number of factors: • We are not aware of a history of significant deficiencies in the control environment; • There has not historically been a large number or significant misstatements arising; • Senior management and key reporting personnel has remained stable from the prior year audit; • There is not a significantly increased number of accounting issues that require significant judgment compared to prior years; and • The entity operates from one location in the United Kingdom. We do not therefore consider that this generates additional aggregation risk.
Trivial matters	2,075,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Standards Committee.
Materiality for fund account	11,000,000	As per the updated GT guidance for 22/23, we have determined transactions within the Fund Account as items requiring greater precision and where we will apply a lower materiality level, as these are considered a key area of focus for users of the financial statements which is not directly derived from the investment portfolio. We have set a materiality of £11m which is equivalent to 10% of expenditure in 2021/22. We will apply this to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole should be applied.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high-risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Conclusion:** As a result of our journals work to address the significant risk of management override of control, we have not identified any significant issues. In addition, we have concluded that there are no indications of management bias in estimates included in the financial statements. **From our work we have identified two control recommendations:** 1) We have identified that there are no formal journals authorisation process in place for the posting of transactions onto the ledger. We would expect for each journal to be reviewed by someone in a senior position to the poster to ensure that this has been appropriately authorised. Although journals are reviewed in totality as part of the Pension Fund's monthly budget monitoring, there is the risk journals could be inappropriately input onto the ledger. 2) We have noted that the Pension Fund was unable to provide sufficient supporting evidence for a number of journals processed during the year that were selected as part of our journals testing. We understand that a key driver of being unable to provide sufficient evidence was that several members of staff had left during the financial year, resulting in a loss of corporate memory. As a consequence, a large number of journals posted by staff that had subsequently left the Fund were reversed at year-end so that appropriately evidenced transactions could be recorded in their place. We recommend that the pension fund puts in place controls so that any journal posted is appropriately backed up by supporting evidences, which are readily available to both management and auditors as required. Whilst we were able to gain assurance that no management override of control had occurred, there is a risk that fraudulent or erroneous journals could be posted into the general ledger. These have both been reported in Appendix B.

2. Financial Statements: Significant risks

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

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

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

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary

Valuation of Level 3 Investments

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

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

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

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

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

Commentary

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered what assurance management has over the year-end valuations provided for these types of investments; to ensure that the requirements of the Code are met
- independently requested year-end confirmations from investment managers and agreed amounts to the schedule of investments at 31 March 2023 per the financial statements
- for all level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciling those values to the values at 31 March 2023 with reference to known movements in the intervening period
- we have evaluated the competence, capabilities and objectivity of the valuation expert
- where available, reviewed investment manager service auditor report on the design effectiveness of internal controls.

Conclusion

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

However, the total net difference between independent third-party confirmations received as at 31/03/2023 and the financial statements for Level 3 investments is £9.857m. This is due to the timing of valuation information which is received in arrears and therefore the Fund were unable to capture the movement in the value of the investment in the final quarter of 2022/23. As the amounts concerned are not material, no amendment to the financial statements is necessary and this will not have an impact on our opinion. As amounts are above triviality however, we have reported as an unadjusted misstatement within Appendix D for the attention of those charged with governance and seek specific representation for management's decision to not amend the accounts.
The variance in the net asset statement is an understatement of £9.57m.

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

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

These have been reported as disclosure misstatements in Appendix D.

2. Financial Statements: new issues and risks

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

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

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £611.4m	The Pension Fund have investments in infrastructure (£189.8m), private debt (£104.2m), private equity (£204.9m), and pooled property (£239.6) that in total are valued on the balance sheet as at 31 March 2023 at £738.5m. Management receives quarterly performance reports which are reviewed and subsequently summarised and presented to the Investments Sub-Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund managers will periodically attend the committee which provides the opportunity for officers and members to challenge any unusual movements or assumptions. No alternative assumptions are considered by management, who place reliance on the fund managers as experts. The investments are not traded on an open market and the valuation of the investments is highly subjective. In order to determine the value, management's experts rely on models which apply multiples of revenue and earnings, net asset values or comparable valuations in a traded investment. The value of the investments has increased by £316.6m in 2022/23 primarily driven by increases in private equity and infrastructure.	• We are satisfied that management's experts, the various fund managers, are competent, capable and objective • We obtained direct confirmation from fund managers of the investment value at the year-end, as noted on page 9 this has identified variances between fund manager confirmation and reported asset values. Management have not adjusted the financial statements for variances noted as these are immaterial. • We have obtained internal controls reports and audited financial statements where available to give us assurance over the valuation methodology and fair value of assets. This identified no significant issues with the controls and processes in place at the fund manager level. • We performed reconciliations from the audited financial statements to the year-end position through known movements in cash flow to sense check the valuation at 31 March 2023. This identified no significant exceptions • Sensitivities disclosed in the note to the financial statements are reasonable in line with the Code • The estimate has been appropriately included in the key areas of estimation uncertainty disclosure	● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £2046.7m	The Pension Fund have investments in pooled investments and pooled property funds that in total are valued on the balance sheet as at 31 March 2023 at £1,919.7m. Management receives quarterly performance reports which are reviewed and subsequently presented to the Investments Sub-Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund managers will periodically attend the committee which provides the opportunity for officers and members to challenge any unusual movements or assumptions. No alternative assumptions are considered by management, who place reliance on the fund managers as experts. In order to determine the value, management's experts utilise prices where published and net asset value (NAV). The value of the investments has decreased by £376.3m in 2022/23 primarily driven by decreases in pooled investments.	• We are satisfied that management's experts, the various fund managers, are competent, capable and objective • We obtained direct confirmation from fund managers of the investment value at the year-end, as well as internal controls reports and audited financial statements where available to give us assurance over the valuation methodology and fair value of assets. This identified no significant issues with the controls and processes in place at the fund manager level • We challenged management to provide evidence of the observable inputs used in the valuation of level 2 investments, as these are based on some observable inputs and gained comfort that investment classification was appropriate • Our detailed substantive identified that the investment with Threadneedle of £127.037m has been incorrectly reclassified to Level 3 investments when this is a Level 2 investment due to there being observable market inputs which we have been able to agree with the investments back to independent sources. This will impact Note 24 which shows the split between level 2 and level 3 however does not impact the overall net asset statement. • The estimate is adequately disclosed in the financial statements	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Actuarial present value of promised retirement benefits - £154m	The Pension Fund's net pension asset at 31 March 2023 is £154m (PY £949m net pension liability). The Pension Fund uses Hymans Robertson to provide actuarial valuations of the Fund's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund asset, small changes in assumptions can result in significant valuation movements. IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. However, it gives three options for disclosure: Option A – in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit Option B – in the notes to the accounts Option C – by reference to this information in an accompanying actuarial report. In the case of Warwickshire, option B has been adopted and disclosed accordingly.	See audit comments below	● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Audit Comments

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

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

- The estimate of the net defined liability is higher than in the prior period which is in line with the expectation of our auditor's expert
- Sensitivities disclosed in the note to the financial statements are reasonable
- The estimate has been appropriately included in the key areas of estimation uncertainty disclosure
- The estimate is adequately disclosed in the financial statements

Assessment

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

2. Financial Statements: Information Technology

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

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

Assessment

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

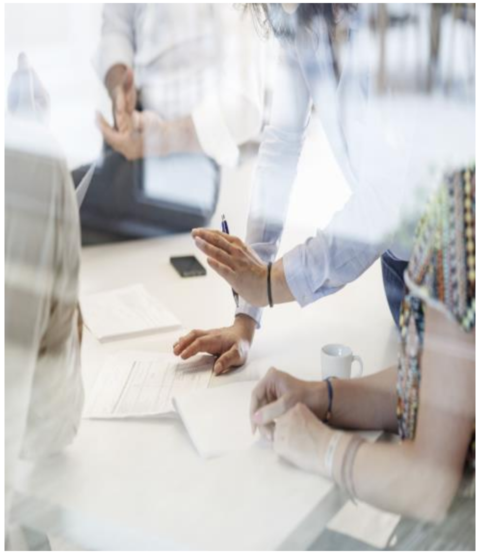
2. Financial Statements: other communication requirements

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

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

2. Financial Statements: other responsibilities under the Code

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



2. Financial Statements: other communication requirements

Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix E.

Transparency

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

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees for 2021-22	Fees for 2022-23	Threats identified	Safeguards
Audit related				
IAS19 Assurance letters for Admitted Bodies and Triennial Testing	£8,000	£14,800	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The Pension Fund can recover the costs of this work from the admitted bodies should it wish to do so.

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

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

3. Independence and ethics

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

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

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

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings Report

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

B. Action Plan – Audit of Financial Statements

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

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

Controls

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

B. Action Plan – Audit of Financial Statements

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

Controls

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

C. Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Journals review and approval** Currently, there are no review and approval mechanisms in place in respect of journal postings to the ledger i.e. where an individual has appropriate access, they are able to do this without any independent review or segregation of duties. It should be noted that this does not reflect a change in the business processes of the Pension Fund and this is consistent with prior periods but rather, is being highlighted due to a change in our approach to journals testing. There are compensatory controls in place in the form of budget monitoring and by the restriction of relevant access as alluded to however this still increases the risk of management override of controls.	Journals are entered by a colleague other than the Senior Pension Fund Accountant, and therefore there is an independent review of material items when the accounts are checked. GT Comments: This has been reported as a control deficiency in the 2022/23 audit within Appendix B.
X	**Contributions** A number of contributions samples reflected trivial differences between contribution amounts as per employer monthly returns through the I-Connect system, and actual payments received by the fund. Where this was the case, we requested evidence of the Fund communicating with employers to reconcile the differences. The Fund have been able to provide evidence of communication for only one of the discrepancies.	The Fund is in the process of putting in place a requirement to communicate any differences between expected and received payments with Employers within two months of the discrepancy. GT Comments: Although the same applies in the 2022/23 audit, this was not material.
X	**IT general controls audit** Our Information Technology (IT) audit team performed a follow up of the full assessment of the relevant IT systems and controls operating at the Council and Pension Fund that was performed in the prior year. This identified the following new deficiency: • Lack of segregation of duties whereby seven members of staff have administrative and financial privileges that create a risk that system enforced internal controls can be bypassed.	ICT have been actively liaising with Grant Thornton over the last year, including as part of during this year's (2023) audit. As part of this work, a detailed review of system admin access has been undertaken and fed back to Grant Thornton as part of the management response with actions noted in the completed action statement. The area of outstanding concern following the 2022 refresh was in relation to the HR/Payroll system. Specific action has been undertaken in this area. The roles with administrative access have been reviewed and access either revoked or alternative arrangements with more limited access put in place. Across all core IT systems regular reviews of access and associated privileges are carried out.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

No adjusted misstatements have been identified from our audit

Impact of unadjusted misstatements

The table below provides details of adjustments identified to date during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Unrealised gain on investment assets As per page 9, we have noted an adjustment in respect of the movement in market value of Level 2 and Level 3 investments in Q4 2022/23	(9,857)	9,857	9,857	Immaterial to the financial position and performance of the Fund
Overall impact	**(£9,857)**	**£9,857**	**£9,857**	

Impact of prior year unadjusted misstatements

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

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

D. Audit Adjustments

Misclassification and disclosure changes

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

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

D. Audit Adjustments

Misclassification and disclosure changes

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

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

E. Fees and non-audit services

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

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

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

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

Reconciliation to the financial statements:

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

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