Grant Thornton

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.

# Warwickshire Pension Fund audit plan

## Year ending 31 March 2024

March 2024

# Contents

## Your key Grant Thornton team members are:


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

# Key matters

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

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

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

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

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

## Audit Reporting Delays

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

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

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

# Key matters - continued

## Our Responses

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

# Introduction and headlines

## Purpose

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

## Respective responsibilities

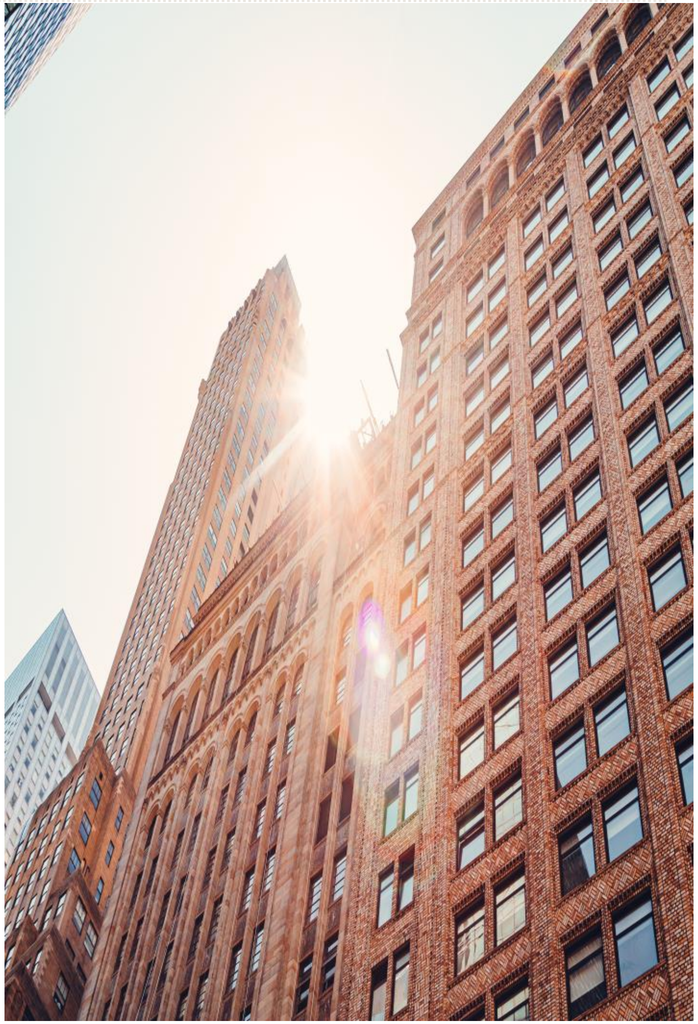
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO has updated the Code. This audit plan sets out the implications of the revised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

## Scope of our audit

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

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

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



# Introduction and headlines

## Significant risks

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

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

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

## Materiality

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

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

## Audit logistics

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

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

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

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

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

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

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

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

# Significant risks identified

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

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| Fraud in revenue recognition (rebutted) | Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.<br>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:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition are very limited<br>• the culture and ethical frameworks of local authorities, including Warwickshire Pension Fund, mean that all forms of fraud are seen as unacceptable<br>Therefore we do not consider this to be a significant risk for Warwickshire Pension Fund. | No detailed audit procedures proposed |
| Fraud in expenditure recognition (rebutted) | Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets.<br><br>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.<br><br>We therefore do not consider this to be a significant risk for Warwickshire Pension Fund. | No detailed audit procedures proposed |

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

# Significant risks identified - continued

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| Management over-ride of controls | Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.<br>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.<br>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement. | We will:<br>• evaluate the design effectiveness of management controls over journals<br>• analyse the journals listing and determine the criteria for selecting high risk unusual journals<br>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration<br>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence<br>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. |
| Valuation of Level 3 Investments | The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions<br><br>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.<br><br>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2024.<br>We therefore identified valuation of Level 3 investments as a significant risk. | We will:<br>• evaluate management's processes for valuing Level 3 investments<br>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met<br>• request confirmations from fund managers and custodian of all holdings and valuations at the period end together with a statement of transactions during the period.<br>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2024 with reference to known movements in the intervening period. We will confirm the audit opinion is unqualified, that the investments are valued on a methodology consistent with IFRS reporting and note any Emphasis of Matter.<br>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert<br>• test revaluations made during the year to see if they have been input correctly into the Pension Fund's asset register<br>• complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.<br>• where available review investment manager service auditor report on design effectiveness of internal controls. |

# Other matters

## Other work

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

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

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

## Other material balances and transactions

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

# Progress against prior year audit recommendations

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

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---|---|---|
| High | **Lack of journals evidence**<br>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.<br>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.<br>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.<br>**Management response**<br>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**<br>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.<br>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.<br>**Management response**<br>Will put in place a documented journals policy and procedure note to ensure that all journals are reviewed, have evidence and approved before posting to the system. Training for staff on journal policy and procedure. |

**Controls**

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

# Progress against prior year audit recommendations - continued

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---|---|---|
| Medium | **IT general controls audit**<br>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:<br>- 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.<br>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.<br><br>**Management response**<br>To be confirmed. |
| Medium | **Completeness of declaration of interests**<br>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:<br>• Ensuring all disclosure returns are received from senior management and members, including nil declarations and from those that leave their role during the year.<br>• Undertaking searches on Companies House to identify any undeclared directorships.<br><br>**Management response**<br>We will liaise with Committee Services to ensure that disclosures are captured and add actions to the Pension Fund close down time table to check that we have all disclosure returns and undertake a Companies House search. |

**Controls**

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

# Progress against prior year audit recommendations - continued

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---|---|---|
| Low | **Reconciliation of the purchase and sale of investments**<br>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.<br><br>**Management response**<br>We will add this reconciliation to the close down timetable. |

**Controls**

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

# Our approach to materiality

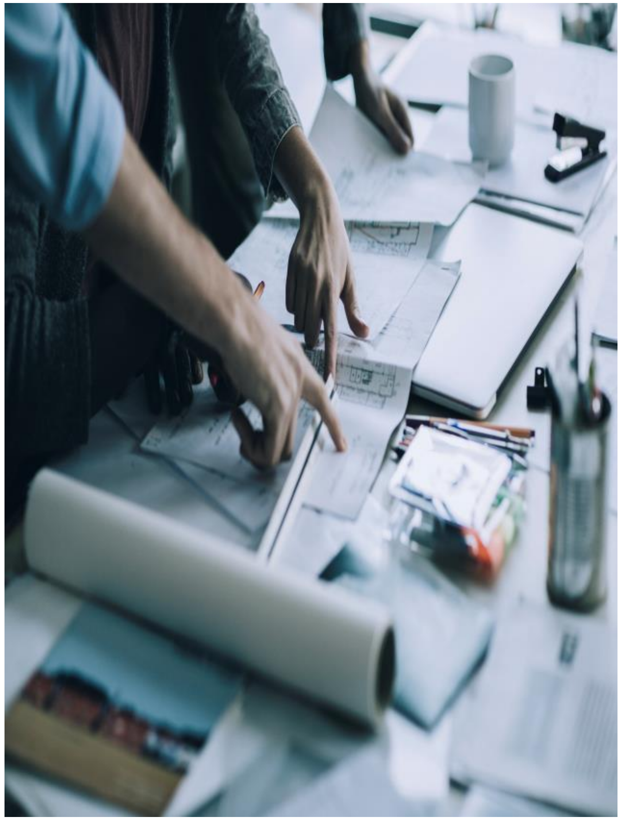
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| Matter | Description | Planned audit procedures |
|---|---|---|
| 1 | **Determination**<br>We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £41m (PY £41.5m), which equates to 1.5% of your gross investment assets as at 31 March 2023. | We determine planning materiality in order to:<br>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;<br>– assist in establishing the scope of our audit engagement and audit tests;<br>– determine sample sizes and<br>– assist in evaluating the effect of known and likely misstatements in the financial statements. |
| 2 | **Other factors**<br>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.<br>We have determined a lower specific planning materiality for the Fund Account of £12m (PY £11m), which equates to 10% of prior year gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied. |
| 3 | **Reassessment of materiality**<br>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**<br>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.<br>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.050m (PY £2.075m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities. |

# Our approach to materiality

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

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



# IT audit strategy

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

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

| IT system | Audit area | Planned level IT audit assessment |
|---|---|---|
| Agresso (Unit4) | Financial reporting | • Detailed ITGC assessment completed by internal expert. We plan to test the design and implementation of ITGCs.<br>• 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.<br>• 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.<br>• 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.<br>• A follow up of reported findings from the 2022/23 ITGC assessment |

# 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 Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £82,406.

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

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

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

## Assumptions

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

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

## Updated Auditing Standards

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

# Audit fees

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

## Previous year

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

## Relevant professional standards

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

# Independence and non-audit services

## Auditor independence

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

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

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

## Other services

No other services provided by Grant Thornton were identified.

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

# Communication of audit matters with those charged with governance

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

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

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

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

# Communication of audit matters with those charged with governance

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

### Respective responsibilities

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

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

Grant Thornton

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