



# The Audit Findings for Warwickshire County Council

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Year ended 31 March 2020

28 September 2020



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwickshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

## Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. As a key body in the frontline response to the pandemic, the Council have worked closely with key partners to provide public health advice, support care providers, establish shielding hubs, provide Personal Protective Equipment (PPE), support education and school planning and reassign staff to areas of need.

The Council has now established their formal recovery plan as the organisation make strides towards the next phase of the recovery and reorganisation from the pandemic.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 27 April 2020 and presented this to the Audit & Standards Committee on 20 July 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote access working arrangements. This has been driven primarily by the use of technology and regular communication between the teams. We have both utilised video calling, screen sharing and other means to the fullest of our ability in order to carry out audit procedures and verify the completeness and accuracy of information.

The draft financial statements were published and provided to the audit team on 26 June 2020 and the audit has been conducted on an almost entirely remote basis, with members of the Council finance team making a limited number of visits to County Hall where necessary. Fortunately, both the audit team and Council finance team have avoided any significant challenges through staff illness and lack of availability.

## Financial Statements

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

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

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

Our audit work has been completed remotely during July and August and continues into September. Our findings are summarised on pages 5 to 16. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement reported in the draft financial statements. Other audit adjustments are detailed in Appendix A.

Our work is substantially complete. While we have not identified any matters to date that would require modification of our audit opinion in Appendix C or material changes to the financial statements, clearly this is subject to the completion of the following outstanding matters:

- completion of our consideration of the work of the Council's valuers and sample testing of properties revalued to supporting information
- receipt of IAS 19 assurance from the Pension Fund auditor
- final manager and engagement lead review of all of outstanding items once completed
- receipt of management representation letter – see appendix D; 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.

Our anticipated audit report opinion will be unqualified but we are proposing the inclusion of an Emphasis of Matter paragraph highlighting the Council's property, plant and equipment (land and buildings) valuation material uncertainty disclosures as a result of Covid-19. This would not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Council's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.

## Headlines (continued)

<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Warwickshire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 17 to 19.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• To certify the closure of the audit.</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete our work on the Whole of Government Accounts review and an open objection.</p>

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Audit approach

## Overview of the scope of our audit

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

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

## Audit approach

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

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

We have had to alter our audit plan, as communicated to you on 20 July 2020, to reflect our response to the Covid-19 pandemic. This included obtaining an understanding of the impact of the pandemic on the organisation and considering how this manifests in the financial statements for the period. In particular, we have increased focus on asset valuations, use of the going concern assumption and narrative disclosure as well as considering this as a potential value for money risk.

## 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 Council meeting on 13 October 2020, as detailed in Appendix C.

## 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.

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

	Council Amount (£)	Factors considered
Materiality for the financial statements	£13.941m	We determined materiality for the audit of the Council's financial statements as a whole to be £15m in our audit plan which equated to approximately 1.5% of the Council's 2018-19 gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding. As a Firm we cap materiality at 1.5% to reflect the risk associated with a large and complex authority such as Warwickshire County Council, and regulatory expectation of audit firms. The value was therefore revised down on receipt of the draft financial statements as gross operating expenses reduced in 2019-20.
Performance materiality	£10.456m	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> <li>• We are not aware of a history of deficiencies in the control environment.</li> <li>• There has not historically been a large number or significant misstatements arising; and</li> <li>• Senior management and key reporting personnel has remained stable from the prior year audit</li> </ul>
Trivial matters	£697k	Triviality is the threshold at which we will communicate misstatements to the Audit & Standards Committee.
Materiality for Senior Officer Remuneration	£25k	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

# Significant audit risks

## Risks identified in our Audit Plan

### Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1.

### The revenue cycle includes fraudulent transactions (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.

## Auditor commentary

We worked with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations

We liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose.

We have:

- Evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic.
- Evaluated whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology
- Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances
- Evaluated management's assumptions that underpin the revised MTFs and the impact on management's going concern assessment

In their report, the Council's external valuer confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'. More detail is provided on pages 7 and 11.

The Council has updated its disclosure of post balance sheet events, to include information relating to funding received since 1 April 2020 and other significant events. We will keep this under review up to the point our audit opinion is issued.

Our work to address the points above is substantially complete, and we have not identified any other issues or concerns at this time to report. We will update the Audit & Standards Committee at its meeting on 28 September 2020 if there are changes to our conclusions.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable

We have not altered our assessment as reported in the audit plan and therefore have no issues to report in this regard.

Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.

## Significant audit risks (continued)

### Risks identified in our Audit Plan

### Auditor commentary

#### Management override of controls

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

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

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

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

Our audit work has not identified any issues in respect of management override of controls.

#### Valuation of land and buildings (Rolling revaluation)

Following a full revaluation of its asset base in 2018/19 the Authority has now moved to revaluing its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£607m in the Authority's balance sheet at 31 March 2020) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- engaged our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation.
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

As stated on pages 3 and 11, our work in this area is ongoing. We are assessing responses to queries that we raised with the Council's valuer in relation to the approach used and assumptions applied. In addition, we are close to completing our detailed testing to agree the key inputs for a sample of valuations to supporting evidence, and consider the movements year-on-year.

No issues have been identified at present, however our work in this area is not yet complete and we will update the Audit & Standards Committee at its meeting on 28 September 2020.

As noted on page 6 we are proposing to include an Emphasis of Matter – 'effects of Covid-19 on the valuation of land and buildings' within our Independent auditor's report (Appendix C). This highlights the Council's disclosures to users of the financial statements. Our opinion is not modified in respect of this matter.

See page 11 for further details of our audit procedures in relation to the key estimate.

## Significant audit risks (continued)

### Risks identified in our Audit Plan

#### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statement.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Auditor commentary

We have:

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

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability, see page 12 for further details of our audit procedures in relation to the key estimate. We also set out on page 10 additional matters which have arisen during the audit and been discussed with management.



# Other audit risks

## Risks identified in our Audit Plan

### International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)

## Auditor commentary

Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.

We have:

- Evaluated the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements.
- Assessed the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC [Local Authority Leasing Briefings](#)

As part of our initial review of the financial statements, it was noted that no reference had been made to IFRS 16 and management responded to confirm that this was in accordance with paragraph 101 of the CIPFA Bulletin 05. In discussion with management it was agreed that whilst the Bulletin indicated no specific disclosures were required in order to aid readers understanding of the position on the adoption of IFRS 16 a disclosure note would be added. We have therefore concluded that disclosures included in the financial statements are appropriate.

## Significant findings – other issues

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 control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Dedicated Schools Grant (DSG)</b></p> <p>The Council had a cumulative overspend of £2.9m as 31 March 2020, due to insufficient government funding, which is to be carried forward as a call against the schools budget in future years. We have reviewed the statement from CIPFA which confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e. it “neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position.”</p>	<p>We have agreed Note 28 of the financial statements to supporting working papers on DSG grant income and schools expenditure.</p> <p>We have also reviewed the disclosure to ensure the Council has explained the funding position and the impact of any deficit balance carried forward.</p> <p>Where overspends arise against Dedicated Schools Grant and are to be carried forward as a call against the schools budget in future years, these should form part of the un-earmarked general fund.</p>	<p>The deficit balance has been disclosed as a negative earmarked reserve in Note 7 and is included within the net £170.1m balance in the MIRS. Although this is not in line with our view that this should form part of the unearmarked general fund balance, as the amount is immaterial we are satisfied that this does not impair a users understanding of the financial statements.</p> <p>The Council also has a DSG offset fund of £12.3m and has adequately disclosed the provisions of the new regulations in Note 28 including plans to recover the deficit in future years. We are therefore satisfied that there is no significant impact upon the Council's financial sustainability at this time.</p>
<p><b>McCloud</b></p> <p>In July 2020, The Ministry of Housing, Communities &amp; Local Government (MHCLG) published its consultation on reforms to public sector pension schemes, this included the proposed remedy to address the discrimination caused by previous protections offered for those closer to retirement age.</p>	<p>We have discussed the potential impact of the McCloud remedy with management in consultation with management’s expert, Hymans Robertson LLP.</p> <p>An allowance for McCloud has already been included in the IAS 19 valuation as at 31 March 2020 and management have demonstrated that when compared to the potential restitution put forward in the consultation, the difference would be immaterial at below £4.8m.</p> <p>Management have proposed therefore that no adjustment is made to the financial statements on the basis of materiality.</p>	<p>The consultation is expected to close in October 2020 and the outcome of this will be confirmed subsequently, as such based on our understanding and the evidence provided, we are satisfied that the impact of this will not be material to the financial statements.</p>
<p><b>Goodwin</b></p> <p>In addition to the above, the Goodwin case also examines alleged discrimination in the Teachers’ Pension Scheme. We are aware that the Government Actuary Department (GAD) have prepared a report which considers this at a national level. The NAO are seeking clearance from MHCLG for this report to be shared however we do not believe the analysis by GAD is likely to be available before the completion of our audit.</p>	<p>As above, management are satisfied that the potential impact of Goodwin is immaterial to the financial performance and position of the Authority as at 31 March 2020. This has been supported by the actuary who concur with this view.</p> <p>Management have proposed therefore that no adjustment is made to the financial statements on the basis of materiality.</p>	<p>We do not believe the analysis by GAD is likely to be available before the completion of our audit. Through our audit work we are satisfied we have obtained sufficient assurance that the increased liability will not be material to the financial statements.</p>

# Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
<p><b>Land and Buildings - £605.3m</b></p> <p><b>Surplus Assets - £1.4m</b></p> <p><b>Investment properties - £23.6m</b></p>	<p>Operational land and buildings comprises £605m of assets which are valued at EUV where market data is available or if specialised i.e. schools, libraries etc depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>Surplus assets and investment properties are measured at fair value at the balance sheet date, based on highest and best use.</p> <p>The Council has engaged Bruton Knowles to complete the valuation of properties as at 31 March 2020, this includes all assets which are required to be measured at fair value.</p> <p>Management have demonstrated through correspondence with the valuer their challenge of assumptions used in the estimation of asset values.</p> <p>In line with RICS guidance, the Council’s valuer disclosed a material uncertainty in the valuation of the Council’s land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures in relation to estimation uncertainty at Note 25.</p> <p>The valuation of properties valued by the valuer has resulted in a net surplus on revaluation of £14.1m.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work, which has included the user of our own valuer to assist with our review and challenge</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>tested on a sample basis revaluations of the Council’s operational properties and investment properties during the year to ensure they have been input correctly into the Council’s asset register and financial statements</li> </ul> <p>At the time of writing this report, our detailed work on the Council’s valuations is ongoing. We are assessing responses to queries that we raised with the Council’s valuer in relation to the approach used and assumptions applied. In addition, we are close to completing our detailed testing to agree the key inputs for a sample of valuations to supporting evidence, and consider the movements year-on-year.</p> <p>No issues have been identified at present however, our work in this area is not yet complete and we will update the Audit &amp; Standards Committee at its meeting on 28 September 2020.</p>	<p><b>TBC</b></p>

## Assessment

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

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																														
<b>Net pension liability – £812.6m</b>	<p>The Council's total net pension liability at 31 March 2020 is £812.6m (PY £924.8m) comprising the Warwickshire Pension Fund Local Government Pension Scheme and unfunded defined benefit pension scheme obligations in relation to Firefighters and Teachers.</p> <p>The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment return .Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £160.7m net actuarial gain during 2019/20.</p>	<p>We have</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management's expert</li> <li>Reviewed and assessed the actuary's roll forward approach taken,</li> <li>Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary. This led to further detailed discussions with the Pension Fund and Actuary whereby we challenged these assumptions and the calculation method applied</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value – LGPS/ Teachers</th> <th>Actuary value - Firefighters</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3%</td> <td>2.3%</td> <td>2.3%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>1.9%</td> <td>1.9%</td> <td>1.8% - 2%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.7%</td> <td>2.8%</td> <td>Scheme specific</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.6/ 22.5</td> <td>26.4/ 27.5</td> <td>Consistent</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>23.8/ 25.4</td> <td>28.5/ 29.7</td> <td>Consistent</td> <td>●</td> </tr> </tbody> </table> <p>In addition to this, we have:</p> <ul style="list-style-type: none"> <li>identified no issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.</li> <li>satisfied ourselves in respect of the reasonableness of: <ul style="list-style-type: none"> <li>the Council's share of pension assets.</li> <li>of the decrease in the estimate, and</li> <li>the adequacy of disclosure of estimate in the financial statements</li> </ul> </li> </ul>	Assumption	Actuary value – LGPS/ Teachers	Actuary value - Firefighters	PwC range	Assessment	Discount rate	2.3%	2.3%	2.3%	●	Pension increase rate	1.9%	1.9%	1.8% - 2%	●	Salary growth	2.7%	2.8%	Scheme specific	●	Life expectancy – Males currently aged 45 / 65	21.6/ 22.5	26.4/ 27.5	Consistent	●	Life expectancy – Females currently aged 45 / 65	23.8/ 25.4	28.5/ 29.7	Consistent	●	<p><b>Green</b></p>
Assumption	Actuary value – LGPS/ Teachers	Actuary value - Firefighters	PwC range	Assessment																													
Discount rate	2.3%	2.3%	2.3%	●																													
Pension increase rate	1.9%	1.9%	1.8% - 2%	●																													
Salary growth	2.7%	2.8%	Scheme specific	●																													
Life expectancy – Males currently aged 45 / 65	21.6/ 22.5	26.4/ 27.5	Consistent	●																													
Life expectancy – Females currently aged 45 / 65	23.8/ 25.4	28.5/ 29.7	Consistent	●																													

**Assessment**

- Red** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Green** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
<p><b>Level 2/3 investments - £174.6m</b></p>	<p>The Authority hold material investments categorised as level 2 of the fair value hierarchy. These relate to investments held for the purpose of accruing interest on an expected cashflow model and assets in two funds, namely the CCLA property Fund and Threadneedle Social Bond Fund. The former was gated at the period end as a result of Covid-19 to protect investors.</p> <p>These are valued based on some observable inputs i.e. quoted prices for similar assets by management’s expert.</p> <p>The Authority also hold equity instruments of £2m which are designated at level 3 due to their valuation being based on unobservable inputs i.e. multiple of earnings. These are immaterial to the financial statements.</p> <p>Estimation uncertainty in relation to fair value and specifically Covid-19 has been disclosed in note 25.</p>	<ul style="list-style-type: none"> <li>• The valuation of these investments is subject to varying degrees of estimation uncertainty. The Authority discloses the differing methods of valuation for these assets within the accounts. In all cases the Council chooses to rely on the fair value provided by management’s expert.</li> <li>• We have assessed the competency of management’s expert and identified no issues.</li> <li>• Appropriateness of the underlying information used to determine the estimate is reasonable, we have challenged management in respect of the classification of the CCLA Property Fund as level 2 on the basis that no active market was present at year end. Overall we are satisfied that this remains appropriate and the value of the investment is £10.3m and therefore reflects a small percentage of the total Authority assets.</li> <li>• The methodology applied in calculating these estimates is consistent with peers and industry practice.</li> <li>• Disclosure of estimate in the financial statements is adequate</li> </ul>	

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process and key assumptions to be reasonable

# Significant findings – going concern

## 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).

## Going concern commentary

### Management's assessment process

Management have assessed the Authority as a going concern on the basis that:

- There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Authority's ability to continue as a going concern. This extends but is not limited to at least twelve months from the reporting date.
- The Authority are required by statute to produce an annual balanced budget, this is supplemented by the MTFS which currently covers the period to 31 March 2025
- The Authority has ample cash and cash equivalent balances to ensure solvency
- The Authority has a robust balance sheet and strong reserves at 31 March 2020

### Work performed

We have reviewed management's assessment of the going concern assumption and basis of preparation of the financial statements

### Concluding comments

## Auditor commentary

Management's assessment has considered the applicable guidance relating to public sector bodies which presumes in local government is that the going concern assumption does apply unless there is specific evidence to the contrary.

Management's assessment has concluded that no material uncertainty in respect of going concern exists.

We consider management's process to be adequate and demonstrates consideration of the relevant factors.

We have reviewed management's assessment and note the following key findings:

- A balanced budget has been set for 2020/21 and the five year rolling MTFS have been agreed and is also balanced
- The Authority have responded proactively to the threat of COVID-19 and are remodelling the MTFS and monitoring the situation quarterly, this is evidence in the latest Q1 2020/21 report taken to Cabinet in September 2020
- The balance sheet and reserves of the County Council are robust, and despite significant financial challenge, these are forecast to remain as such throughout the life of the MTFS. This is including investment of reserves and not just use of reserves to balance budgets.
- The Authority has a strong cash position and models prepared show that to 31 March 2023, liquid assets will remain comfortably above the minimum cash required to operate.
- Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable and sufficient disclosure has been made in the financial statements of this, no additional disclosures have been required as a result of Covid-19
- Based on the above comments, we anticipate being able to issue an unmodified opinion.

## Other matters for communication

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.

<b>Issue</b>	<b>Auditor commentary</b>
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	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
<b>Written representations</b>	A letter of representation has been requested from the Council, which is appended. We have requested specific representations in respect of the 'material valuation uncertainty' disclosures (referred to on pages 6, 7 and 11) and management's proposals not to make adjustments for the matters reported on page 10.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to bodies with which the Council hold cash and cash equivalent balances and investments. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation
<b>Disclosures</b>	Our review found no material omissions in the financial statements, we have made a number of proposed amendments to disclosures in the financial statements which are detailed in the appendix.
<b>Audit evidence and explanations/significant difficulties</b>	All information and explanations requested from management was provided.

## Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting thresholds, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>Note that work is not yet completed, plans will be put in place to complete this work ahead of the submission deadline</p>
<b>Certification of the closure of the audit</b>	<p>We are unable to certify the closure of the 2019/20 audit of Warwickshire County Council in the audit report, this is due to outstanding consideration of an objection to the 2017/18 accounts and completion of our WGA procedures</p>



# Value for Money

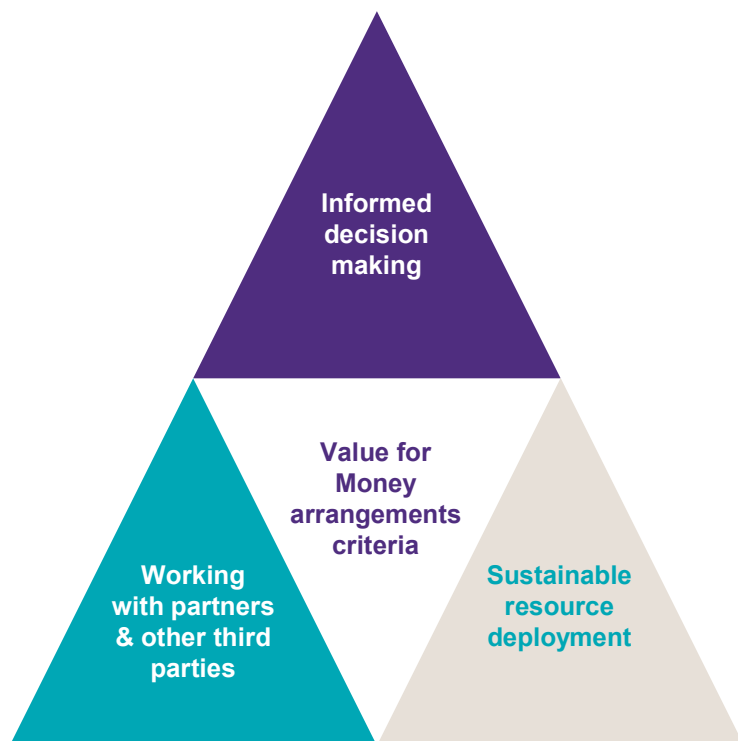
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in March 2020 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. This related to financial planning and sustainability and we communicated these risks to you in our Audit Plan on 20 July 2020.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to the Covid-19 pandemic.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The outturn for the 2019/20 financial year compared to budget
- The new rolling MTFS devised, which underpins the Council Plan 2025; and
- The response to COVID-19 and factoring of this in future plans

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on page 18.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix C.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

## Significant risk

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### Financial sustainability and delivery of long term plans

The Council has a good track record of delivering in year budgets and savings targets, it is forecast that a net underspend will be reported in 2019/20 and reserves will rise to £171m.

The medium term financial strategy has been updated to tie in with the 2020-25 Council Plan and will be updated annually to ensure it remains dynamic and robust.

The primary challenge at the current time is the uncertainty over the funding settlement which is yet to provide clarity in a number of areas such as business rates, Dedicated Schools Grant (DSG) and funding for pressures in the system such as adult social care.

In addition to this, to deliver a balanced budget, the Authority will need to deliver £6.2m of savings in 2020/21 increasing to £33m over the lifetime of the plan. This is considered to be a significant risk to achievement of the Medium Term Financial Strategy (MTFS).

Given these challenges we believe a residual VFM risk in respect of planning finances effectively to support sustainable delivery of strategic priorities and maintain statutory functions remains.

In response to this risk we have:

- 1) Reviewed performance in the period by comparing outturn position to budgeted for revenue and capital budgets, as we as assessing any achievement or shortfall of savings targets where applicable.
- 2) Held enquiries of key officers to understand the process in place for future medium term financial planning and reviewed underlying documentation to ensure assumptions are reasonable.

In light of the emerging issues of COVID-19, we have also had regard to the NAOs AGN 03 and considered two areas of potential VFM risk in relation to financial resilience and service failure.

## Findings

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The Council has achieved the underspend forecast against the general fund budget in 2019/20. It has made positive contributions to reserves as well as carry forwards to the 2020/21 budget. This will be critical to future sustainability and addressing the cost pressures brought on by the COVID-19 Pandemic.

The savings plan for 2019/20 assumed £14.2m of savings would be delivered which compared to £10.5m actual achieved. The residual balance of £3.7m relates primarily to looked after children and has been earmarked for delivery in future years or replaced by budget allocations. Across the three period of the One Organisational Plan the Council achieved 85% of its savings target of £56.5m. The Council has now transitioned to a 5 year rolling MTFS model which sets a balanced budget through to 31 March 2025.

As part of the transformation of services and design of the new MTFS, there has been increased scrutiny of budgeting and focus on the accuracy of forecasting. This has been beneficial in minimising the variations in budgeted position between quarters and demonstrates that financial management is becoming stronger.

We have reviewed assumptions in relation to resources and funding, permanent spending needs, savings and reserves over the life of the plan and are satisfied that these are reasonable. In particular, allocations have been made to areas which are currently experiencing, and are predicted to continue to see, greater demand such as education and social care. The reserves of the Authority will reduce over the period of MTFS to £173.9m by March 2021 and £152.7m by 2025 through a mixture of investment and other use but are forecast to remain strong. The CIPFA financial resilience indicator currently puts the Council at the top end (lower risk) in terms of level of reserves and therefore this position is unlikely to deteriorate significantly based on the MTFS forecast.

## Value for Money (continued)

### Findings (continued)

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The Council has identified the impact the pandemic is likely to have on the MTFS on a scenario basis. On a 'most likely' or medium risk basis this highlights the need to make significant additional savings of £16m in 2021/22 and £23m in total over the life of the MTFS. The scenario assumes that there will be a short recession and gradual recovery which corresponds to early economic forecasts but ultimately the level of uncertainty in regard to this depends on a number of currently unknown factors and events.

Review of Q1 2020/21 financial monitoring has forecast a small overspend of £3.364m and some slippage in delivery of savings plans forecast at £3m due to COVID-19. Based on the nature of savings and the reason for non-delivery, it is anticipated that once the pandemic eases these will be achieved in future years. Cabinet have been requested to approve the transfer of £8m underspend in Corporate Services to provide capacity to soften the short term phasing of additional savings from 2021/22.

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### Conclusion

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In conclusion, we are satisfied that the Council has robust and appropriate arrangements in place to both deliver financial plans and plan for future financial sustainability, notwithstanding the additional pressures now presented by Covid-19.

In regard to the pandemic, the Council has been proactive in reshaping the MTFS, identifying emerging gaps in this and adding another dimension to quarterly and annual reporting which will be monitored as the organisation moves forward.

It is important however to recognise the significant challenges the Council faces and in particular the need to deliver £23m in savings plans in addition to those already identified in the MTFS. This is the primary risk to delivery of the plan and the Council must now work to mobilise the recovery plan and implement the framework it proposes.

Overall, there is a clear link between the overarching Council plan, MTFS and quarterly reporting, which has become further embedded during the year following the internal reorganisation and allows for easier alignment of these strands and a cohesive strategy.

# Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix B.

# Independence and ethics

## Audit and Non-audit services

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

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Teachers' Pension return	4,200	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 £4,200 in comparison to the total fee for the audit of £87,795 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review	The timing of teachers pension return certification is after completion of the external audit of the financial statements. In addition to this, the materiality of amounts involved to our opinion and unlikelihood of material errors arising as a result of this work reduce the threat to an acceptable level.
		Management	The Council has informed management who will determine whether to amend returns of our findings and agree the accuracy of our reports on grants.
<b>Non-audit related:</b>			
CFO Insights	10,000	Self-Interest	<p>A £30,000 for a three year subscription to CFO insights (£10,000 per year) was paid by the Council in 2018/19.</p> <p>This is a recurring fee and therefore a self interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£87,795) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to non-audit related services for which there is a fixed fee and no contingent element to the fee.</p> <p>These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.</p>

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

# 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/ unadjusted misstatements

As a result of audit procedures performed, we have not identified any adjusted misstatements in the accounts. As noted on page 10 management have considered the impact of the proposed McCloud restitution and Goodwin judgment upon the Council's net pension liability, and the inclusion of the deficit on the Designated Schools Grant as a negative earmarked reserve and not part of the unearmarked general fund balance and have determined not to adjust for these matters as they are immaterial to the results of the Council and its financial position at the year-end.

## 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	Auditor recommendations	Adjusted?
<b>Pooled Budgets</b>	No accounting policy was included in the draft accounts for pooled budgets, this was highlighted in the technical review last year, as a material area of the accounts we would expect to see an accounting policy which sets out the treatment of pooled budgets with reference to IFRS 11 for joint arrangements and how these judgments have been made.	✓
<b>IFRS 16 Leases</b>	To comply with the requirement of IAS 8 para 31 as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	✓
<b>Events after the balance sheet date</b>	Event in relation to Local Authority schools transferring to Academy status post 31 March 2020 has been updated based on revised value of assets.	✓
<b>Various</b>	As a result of audit procedures performed, we have identified a number of minor changes to the disclosures within the financial statements (i.e. agreement of note 37 to the report of the IAS 19 valuation report provided by the actuary identified some rounding differences) and Narrative Report.	✓

## 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 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Adjustment to the Local Government Pension Scheme in respect of the McCloud judgment and GMP equalisation	8,797	(8,797)	• Nil	Adjustment was immaterial in the prior year and allowance has now been made in the 2019/20 IAS 19 valuation as at 31 March 2020
<b>Overall impact</b>	<b>£8,797</b>	<b>(£8,797)</b>	<b>£Nil</b>	

# Fees

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

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit	£87,795	£87,795
<b>Total audit fees (excluding VAT)</b>	<b>£87,795</b>	<b>£87,795</b>

The fees reconcile to the financial statements Note 30 through the following reconciling items:

- **Fees per the financial statements - £103,245**
- Additional audit fees in 2018/19 – (£9,000)
- NFI payment to Cabinet Office – (£2,250)
- TPS certification 2018/19 – (£4,200)
- **Total fees per above - £87,795**

A £30,000 for a three year subscription to CFO insights (£10,000 per year) was paid by the Council in 2018/19

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Certification of Teachers' Pension return	£4,200	£TBC
CFO Insights	£10,000	£10,000
<b>Total non- audit fees (excluding VAT)</b>	<b>£14,200</b>	<b>TBC</b>

# Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Warwickshire County Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet as at 31 March 2020 and, Cash Flow Statement, and notes to the financial statements, including the statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

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

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Director for Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director for Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director for Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit opinion

In our evaluation of the Strategic Director of Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to *Note 25: Assumptions made about the future and other major sources of estimation uncertainty* of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2020. As disclosed in Note 25 the duration of the pandemic and the depth of and timeframe for recovery from any economic downturn remain uncertain. Therefore, the financial impact and risk of a material adjustment to the balance sheet going forward remains.

The Council's valuers have stated that there is a material uncertainty about the movement of property process and valuations as a result of Covid-19. The Council has decided to use the valuer's estimates of property valuations and movements as the best available estimates of the values of the Council's assets as at 31 March 2020, but these estimates are subject to greater uncertainty than in previous years. Our opinion is not modified in respect of this matter.

## Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

# Audit opinion

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Statement of Responsibilities for the Financial Statements set out on page x, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director for Resources. The Strategic Director for Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit & Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

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

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

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Responsibilities of the Authority**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

# Audit opinion

The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2020 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## Use of our report

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

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

Birmingham

13 October 2020

# Management letter of representation

Grant Thornton UK LLP

The Colmore Building

20 Colmore Circus

Birmingham

B4 6AT

13 October 2020

Dear Sirs

**Warwickshire Country Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Warwickshire County Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- i. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- ii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- v. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

# Management letter of representation

- i. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- ii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- iii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- iv. The prior period adjustments disclosed in Note 3 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- v. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

## Information Provided

- i. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.

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

## Annual Governance Statement

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

## Narrative Report

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

# Management letter of representation

**Approval**

The approval of this letter of representation was minuted by the Council's Audit & Standards Committee at its meeting on 28 September 2020.

Yours faithfully

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

