

# The Audit Findings for Warwickshire County Council

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**Year ended 31 March 2013**

September 2013

**John Gregory**  
Director

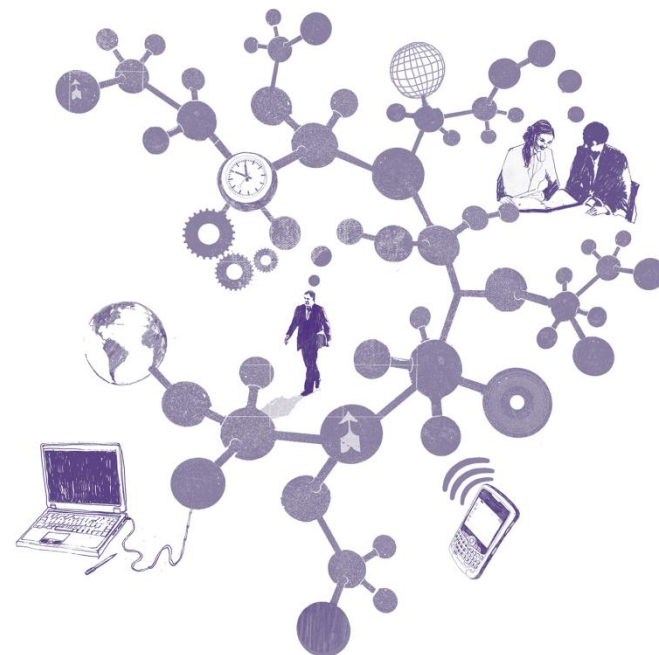
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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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# Section 1: Executive summary

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# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Warwickshire County Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 24<sup>th</sup> June 2013. Our audit is substantially complete although we are finalising our work in the following areas:

- completion of testing on cash cycle
- completion of review of pension notes disclosures
- completion of review of notes on operating segments and related party transactions
- final review by the engagement lead of the accounts and work completed

To conclude the audit we will need to:

- review the final version of the financial statements approved by Council

- obtain and review the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion,
- completion of work relating to the objection raised on the accounts by a member of the public, and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments affecting the Council's reported financial position. We have agreed a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- One significant amendment has been identified as a result of the audit, however this does not affect the Council's reported financial position.
- Working papers and responsiveness from officers has improved in most areas, however some improvements could still be made.

Further details are set out in section 2 of this report.

### **Value for money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

### **Objection to the accounts**

We have received an objection to the accounts from a local elector, relating to expenditure relating to HS2. We have received the Council's response to the objection and will then share material documents with both parties before determining the objection.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

### **Acknowledgment**

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

**Grant Thornton UK LLP**  
**September 2013**

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## Section 2:    Audit findings

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# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24<sup>th</sup> June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 24<sup>th</sup> June 2013.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix A.



# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<b>Improper revenue recognition</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	<ul style="list-style-type: none"><li>• review and testing of revenue recognition policies</li><li>• testing of material revenue streams</li><li>• review of unusual significant transactions</li></ul>	Our audit work has not identified any issues in respect of revenue recognition.
2.	<b>Management override of controls</b> Under ISA 240 there is a presumed risk of management over-ride of controls	<ul style="list-style-type: none"><li>• review of accounting estimates, judgements and decisions made by management</li><li>• testing of journals entries</li><li>• review of unusual significant transactions</li></ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Operating expenses understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• carried out attribute testing for the complete period.</li> <li>• completed substantive testing of creditor balances</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• carried out attribute testing for the complete period.</li> <li>• completed substantive testing of creditor balances</li> <li>• reviewed payments post year end to ensure expense included in the correct period.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified

<b>Employee remuneration</b>	Employee remuneration accruals understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• carried out attribute testing for the complete period</li> <li>• carried out substantive testing of disclosures of salary information</li> <li>• Tested the entries in relation to pension scheme disclosures</li> </ul>	<p>Initial attribute testing of payroll information identified one error. The nature of the error suggested it was an unusual case and additional testing did not identify any further errors.</p> <p>Testing of the salary disclosures identified an insignificant error on the exit packages disclosure and the salary bandings disclosure. Officers have agreed to amend for these.</p>
<b>Property, plant &amp; equipment</b>	PPE activity not valid	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• confirmed existence of material items of PPE</li> <li>• Completed substantive testing of additions, disposals, revaluations and depreciation.</li> </ul>	<p>Existence testing has identified one property where officers have been unable to locate either the deeds or evidence that it is registered with the land registry. We have performed other tests to gain the necessary assurance that this asset should be included within the asset register.</p> <p>Testing the asset register is time consuming compared to other parts of the audit. The asset register is necessarily complex to ensure full compliance with the CIPFA code. Work to review whether the asset register can be simplified, which still meeting the requirements of the code, is already planned and we will support officers in their work.</p>

<b>Property, plant &amp; equipment</b>	<b>Revaluation measurement not correct</b>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• Completed substantive testing of additions, disposals, revaluations and depreciation.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Property, plant &amp; equipment</b>	PPE improperly expensed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• Completed substantive testing of additions, disposals, revaluations and depreciation.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>The accounting policy recorded in the notes to the accounts is as follows:</p> <p>'Revenue and capital transactions are recorded on an income and expenditure (spending) basis. This means that income is recorded in our accounts when we are owed it rather than when we receive it. Likewise, expenditure is recorded in our accounts when we owe it, rather than when we actually make a payment. We have a de minimus level for non system generated accruals of £50,000 that managers can use if they wish, the effect of which we would not expect to be material to the overall accounting position.'</p> <p>In relation to Government grants the policy is as follows: 'Government grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them.'</p>	The policies are considered appropriate under the accounting framework.	
<b>Judgements and estimates</b>	<p>The Council has disclosed the following key judgements within the notes to the accounts</p> <ul style="list-style-type: none"> <li>• Uncertainty around future funding levels</li> <li>• Accounting for academy schools</li> </ul> <p>The Council has have disclosed the following key estimates within the notes to the accounts</p> <ul style="list-style-type: none"> <li>• Depreciation of PPE</li> <li>• Valuation of the pensions liability</li> </ul>	The judgements and estimates used by the Council appear reasonable.	
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	

## Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail		Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	£41.4m has been incorrectly classified as Cash and Cash Equivalents. This balance should have been classified as Short Term Investments. The impact of which is to increase the balance on Short Term Investments to £111m and reduce the Cash and Cash Equivalents to £123.2m. The resulting impact on the balance sheet is nil.			
Overall impact		£0	£0	£0

# Misclassifications & 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.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Various	A number of minor wording changes to ensure references refer to correct years and consistency is maintained both within the document and with the previous years audited financial statements.
2	Misclassifications	£41.4m	Various	<p>As previously reported an error has been identified of £41.4m for the classification between Short Term Investments and Cash and Cash Equivalents. This has resulted in changes to the cash flow statement and the following disclosure notes;</p> <ul style="list-style-type: none"> <li>• Note 16 Financial Instruments</li> <li>• Note 18 Cash and Cash Equivalents</li> <li>• Notes 24, 25 and 26 in relation to the Cash Flow Statement</li> </ul>
3	Misclassification	£2.7m	Various	<p>A misclassification of capital debtors of £2.7m has been identified, which has amended the following lines within notes 24 and 25 for the Cash Flow Statement;</p> <ul style="list-style-type: none"> <li>• Note 24 – cash received for goods and services an increase of £2.7m to £61.7m</li> <li>• Note 25 – other receipts from investing activities – capital grants a decrease of £2.7m to £32.8m</li> </ul>

# Unadjusted misstatements

We have not identified any unadjusted misstatements during the audit.



# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We have not identified any deficiencies during the course of our audit that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. As is normal for an Authority of this size we have been made aware of allegations which are being investigated, however these are not considered to have a material impact on the financial statements.
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A standard letter of representation has been requested from the Council.
4.	Disclosures	Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

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## Section 3: Value for Money

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# Value for Money

## Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted that arrangements meet or exceed adequate standards.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. We have completed our work and the findings are included in the table overleaf.

## Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<b>Potential weaknesses in initial budget preparation and in year forecasting.</b>	<p>The budget process has been reviewed, including the range of reports that has been produced for Cabinet and Council.</p> <p>Quarterly finance and performance reports have been reviewed, particularly that produced for year end.</p>	<p>Like many other local authorities the budget is produced on the basis of rolling forward the prior year budget and then making changes for known events. This is done within the context of an agreed medium term strategy.</p> <p>The annual planning round examines the resources available and then the expenditure required. Key areas for scrutiny are around the agreed savings plans, any changes to these and additional funding requests relating to specific budget pressures.</p> <p>The resulting budget is then monitored on a quarterly basis. At both quarter 2 and quarter 3 underspends were predicted of £1.7m and £5.6m respectively.</p> <p>As in the previous financial year, the Council ended the year with a significant underspend of £17m. This represents just over 5% of the budget allocation and taken on face value could indicate weaknesses with the forecasting and profiling of the budget. Given the spread of the underspends and the reasoning for them, however, there is no evidence that the budget has not been prepared in an appropriate way.</p> <p>A consistent reason given for the underspends are that services are delivering planned savings earlier than anticipated and therefore reducing the pressure on the budget in future years. However continued significant underspends could lead to questions from the public about whether reductions in services are necessary to deliver a balanced budget.</p>
<b>Use of one off resources to balance the budget and fund recurrent expenditure.</b>	<p>The budget process has been reviewed, including the range of reports that has been produced for Cabinet and Council.</p> <p>Quarterly finance and performance reports have been reviewed, particularly that produced for year end.</p>	<p>The medium term financial plan approved in March 2012 produced a balanced financial position through to 2014/15, but with reliance on using a significant level of corporate reserves.</p> <p>Officers and members understand that the use of reserves is only a short term fix and are continually looking at the services delivered and how these can be made sustainable in the long term.</p> <p>The outturn report highlights that services are planning to use £12.7m of carry forwards to support services in 2013/14.</p> <p>Both the Going for Growth project and Transformation programme are rooted in the principles of service redesign and aimed to ensure services are delivered in the most efficient way possible over the long term.</p> <p>Significant work is already underway on the new medium term financial plan and how predicted funding gaps can be closed.</p>

<b>Failure to deliver savings plans</b>	<p>The budget process has been reviewed, including the range of reports that has been produced for Cabinet and Council.</p> <p>Quarterly finance and performance reports have been reviewed, particularly that produced for year end.</p>	<p>The authority has a good record of achieving the savings plans that it sets itself. In two of the last three years the authority has only marginally failed to achieve its savings plans. For 2012/13, a 2.7% underachievement of the plan was recorded. This has been significantly offset by large underspends elsewhere in the budget. While challenging savings plans will need to continue into future years the Council's culture means it is well placed to meet these challenges.</p>
<b>The implementation of savings plans impacts on service quality and performance in priority areas.</b>	<p>The budget process has been reviewed, including the range of reports that has been produced for Cabinet and Council.</p> <p>Quarterly finance and performance reports have been reviewed, particularly that produced for year end.</p>	<p>The number of performance targets missed in 2012/13 has increased from the previous year. For 2011/12 only 2 targets (out of 38) were considered outside acceptable tolerances, however for 2012/13 this was reported as 11 ( out of 49).</p> <p>An examination of the targets missed for 2012/13 highlighted that there are two that have been missed which were beyond the control of the authority (BDUK procurement and the surface treatment of highways). Also the target within the plan for budget achievement is to achieve an outturn within 1% of budget. The significant underspend clearly misses the target, however it does not contribute towards evidence that there is a significant drop in overall service performance.</p> <p>Removing these 3 from consideration still shows that the Council has missed more targets than in previous years, which could be indicative of the levels of saving required. However, given the level of underspends made by the Council and the nature of the indicators missed there is no evidence to suggest that the cost reductions made in the budget have created increased spending or capacity gaps elsewhere. There is also no evidence to suggest that performance has deteriorated in key priority areas.</p>
<b>Lack of capacity or specialist skills within the finance team</b>	<p>We have discussed the risks with officers and noted the arrangements that have been put in place to mitigate these risks.</p>	<p>Work with the authority during the audit has not highlighted a significant lack of capacity or high turnover of specialist finance staff. While there have been some capacity issues in the short term created by unfilled vacancies measures have been taken to improve capacity. Like many other similar local authorities there is no additional capacity within the finance function and a continued focus is needed to ensure that some resilience remains within the new structures.</p>
<b>Limited monitoring of key financial ratios</b>	<p>Quarterly finance and performance reports have been reviewed, particularly that produced for year end.</p> <p>Review of treasury management strategy</p>	<p>Our review of financial reporting documents and discussions with officers has not identified a formal approach to the monitoring of key financial ratios, such as the working capital ratio and long term debt to tax ratio. The required ratios are however reported as part of the treasury management strategy. This position is not uncommon within local authorities.</p> <p>Our financial resilience work has reviewed certain key financial ratios and these are the subject of a separate report. This has not identified any significant areas of concern.</p> <p>Consideration should be given as to whether more formal monitoring of financial ratios would better inform budget preparation and monitoring.</p>

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## Section 4: Fees, non audit services and independence

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# Fees, non audit services and independence

We confirm below the current situation in relation to fees charged for the audit and **provision of non-audit services**.

## Fees

	Per Audit plan £	Actual fees £
Council audit	126,052	126,052
Objection to the accounts	-	tbc
Grant certification	2,900	tbc
<b>Total audit fees</b>	<b>128,952</b>	<b>tbc</b>

We are currently considering an objection to the accounts which has been made by a local elector. We will continue to liaise with the Head of Finance regarding the fee for this additional work.

We are only aware of one grant claim that requires certification for 2012/13 and this relates to teachers pensions. This work is scheduled for completion in October 2013.

## Fees for other services

Service	Fees £
<b>Landfill tax recovery – amount billed to date</b>	5,000

## 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 Auditing Practices Board's Ethical Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.



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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our 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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: 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

### Opinion on the Authority financial statements

We have audited the financial statements of Warwickshire County Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 6. 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 2012/13.

This report is made solely to the members of Warwickshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

### Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Warwickshire County Council as at 31 March 2013 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

### Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources**

***Respective responsibilities of the Authority and the auditor***

The Authority is responsible for putting in place proper arrangements to secure 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2013.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Warwickshire County Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

***Delay in certification of completion of the audit***

We are required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of Warwickshire County Council Pension Fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2013. As the authority has not yet prepared the Annual Report we have not yet been able to read the other information to be published with those financial statements and we have not issued our report on those financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority’s Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.]

John Gregory, Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

Date

## Appendix B: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

### Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 24<sup>th</sup> June 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Creditors understated or not recorded in correct period	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Employee remuneration accruals understated	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Debt	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Dividend income from Joint Venture	Other Revenues	None		No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	Grant and Other Contribution Revenues	None		No	None
PFI revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid. PPE improperly expensed. Revaluation not measured correctly	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	Misclassification of £41.4m identified.
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None



Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cash and cash equivalents	Cash	None			Misclassification of £41.4m identified, work still in progress
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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# The Audit Findings for Warwickshire Pension Fund

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**Year ended 31 March 2013**

September 2013

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Engagement Lead

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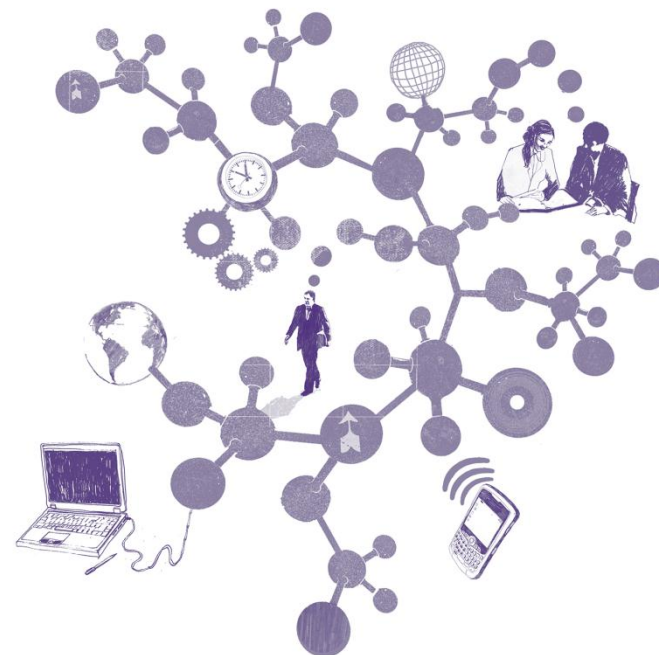
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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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## Appendices

- A Action plan
- B Audit opinion

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# Section 1: Executive summary

**01. Executive summary**

**02. Audit findings**

**03. Fees, non audit services and independence**

**04. Communication of audit matters**

# Executive summary

## Purpose of this report

This report highlights the key issues arising from the audit of Warwickshire Pension Fund's ('the Fund') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position, the financial transactions of the fund during the year and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting.

## Introduction

In the conduct of our audit we have had to change our audit plan, which we communicated to you in our Audit Plan dated 24<sup>th</sup> June 2013. Following receipt of the draft statements initial work highlighted that a more efficient approach to the audit would be to use controls assurance for both scheme contributions and investment cycles. This has been completed as required.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- completion of testing on the benefit cycle, and
- final peer review of the accounts and work completed.

To conclude the audit we will need to:

- review the final version of the financial statements approved by Council,
- obtain and review the management letter of representation,

- updating our post balance sheet events review, to the date of signing the opinion, and
- review the pension fund annual report.

We received draft financial statements and accompanying working papers at the start of our audit.

## Key audit and financial reporting issues

### Financial statements opinion

We have not identified any adjustments affecting the Fund's reported financial position. We have agreed with officers a number of minor adjustments to improve the consistency and presentation of the accounts.

The key messages arising from our audit of the Fund's financial statements are:

- No significant amendments have been identified as a result of the audit.
- While some control deficiencies have been highlighted as areas for improvement these again are not considered significant for the fund.

We anticipate providing an unqualified opinion on the Fund's financial statements.

### Acknowledgement

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

**Grant Thornton UK LLP**  
**September 2013**

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## Section 2:    Audit findings

01. Executive summary

02. Audit findings

03. Fess, non audit services and independence

04. Communication of audit matters



# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24<sup>th</sup> June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have made changes to the Audit Plan that we presented to you. Following receipt of the draft statements initial work highlighted that a more efficient approach to the audit would be to use controls assurance for both scheme contributions and investment cycles. This has been completed as required.

## **Audit opinion**

We anticipate that we will provide the Fund with an unmodified opinion. Our audit opinion is set out in Appendix B.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<b>Improper revenue recognition</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	Our audit work has not identified any issues in respect of revenue recognition.
2.	<b>Management override of controls</b> Under ISA 240 there is a presumed risk of management over-ride of controls	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journals entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investments</b>	Investments not valid Investments activity not valid Fair value measurement not correct	<ul style="list-style-type: none"> <li>Reviewed the reconciliation between information provide by the fund manager, the custodian and the pension fund's own records</li> <li>Tested the value of a sample of individual investments</li> <li>Confirmed the existence of investments directly with independent custodian or by agreement to other independent documentation</li> <li>Tested a sample of sales and disposals during the year back to detailed information provided by the custodian and fund managers.</li> </ul>	Our audit work has not identified any material issues in relation to the risk identified.
<b>Benefit Payments</b>	Benefits improperly computed/claims liability understated	<ul style="list-style-type: none"> <li>Testing completed on a sample of individual transfers, pension payments, lump sum benefits and refunds.</li> <li>Pensions paid have been rationalised to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis.</li> <li>The movements on membership statistics have been compared to transactions in the accounting records.</li> <li>Review of the actuary report.</li> </ul>	Our audit work has not identified any material issues in relation to the risk identified.
<b>Contributions</b>	Recorded contributions not correct	<ul style="list-style-type: none"> <li>Testing of contributions with employers</li> <li>Contributions received have been rationalised to changes in member payrolls and numbers of contributing pensioners.</li> </ul>	Our audit work has not identified any material issues in relation to the risk identified.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>There are two key policies in relation to revenue recognition, that for contribution income and that for investment income.</p> <p>Normal contributions are accounted for in the payroll month to which they relate.</p> <p>Investment income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis, as is income from other investments.</p>	The policies are considered appropriate under the accounting framework.	●
<b>Judgements and estimates</b>	<p>Because of the nature of the fund, officers have asserted that no significant accounting judgements have been made, with all judgements following the requirements set out in the Code.</p> <p>The fund has a material balance of investments with significant unobservable inputs. The valuation of these investments are subject to varying degrees of estimation uncertainty. The fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund chooses to rely on the valuation provided by the fund manager.</p>	<p>The policies are considered appropriate under the accounting framework.</p> <p>Sufficient assurance has been provided by either the experts used for valuing the fund, or we have been able to agree valuations to third party evidence.</p>	<p>●</p> <p>●</p>
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>The Fund's accounting policies are in accordance with the requirements of the Code of Practice on Local Authority Accounting</li> </ul>	We have reviewed the Fund's policies against the requirements of the Code of Practice on Local Authority Accounting and do not have any comments to make.	●

## Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

## Adjusted misstatements

No adjusted misstatements to the draft accounts have been identified during the audit process.

# Misclassifications & disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	£494	Investment assets £1,377.9m	The fund has disclosed the following post balance sheet event 'The Fund's net assets include a value of £11.8m for private equity investment with Harbourvest. Information received after the balance sheet date reported that asset values within one of the underlying funds was overstated by £494,044. The fund will reflect this move in price in April 2013 as part of it's monthly postings process'. In our view this does not meet the criteria for being a post balance sheet event and officers have agreed to remove the disclosure.
2	Disclosure	n/a	Investment assets £1,377.9m	Amendment required to note 15 (Nature and extent of risk and how the Pension Fund manages those risks) to ensure currency exposure correctly reflected.
3	Disclosure	n/a	Investment assets £1,377.9m	Initial amendment to note 21 (Financial Instruments) identified. Financial Liabilities for quoted market prices should be -£3.6m.
4	Disclosure	n/a	Various	A number of minor wording changes to ensure references refer to correct years and consistency is maintained both within the document and between the previous years audited financial statements.

# Unadjusted misstatements


We have not identified any unadjusted misstatements during the audit.

# Internal Controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1.		<p>Journal testing identified that there remains a user ID in use that belonged to an IT administrator who has now left the authority. In addition there is also a generic user ID that is being used to ensure the correct roll forward of balances at year end.</p> <p>There is a risk that these IDs could be used to manipulate entries within the ledger that could not be traced.</p>	<ul style="list-style-type: none"><li>• User IDs for people who have left the authority should be removed from the system.</li><li>• Officers should review the level of risk associated with the use of a generic user ID and ensure that appropriate controls are in place.</li></ul>

## Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement



# Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A standard letter of representation has been requested from the Fund.
4.	Disclosures	Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

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## Section 3: Fees, non audit services and independence

01. Executive summary

02. Audit findings

**03. Fees, non audit services and independence**

04. Communication of audit matters

# Fees, non audit services and independence

We confirm below our final fees charged for the audit.

**Fees**

	Per Audit plan £	Actual fees £
Fund audit	23,892	23,892
<b>Total audit fees</b>	<b>23,892</b>	<b>23,892</b>

At the time of writing we are discussing the need to charge additional audit fees in relation to assurances which have been requested from other auditors, and for completion of the opinion for the pension fund annual report after the date of the opinion on the financial statements. This work is yet to be completed, however we estimate that the additional fee is likely to be £6,000.

**Fees for other services**

Service	Fees £
None	Nil

**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 Auditing Practices Board's Ethical Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.

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## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the 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 Fund is fulfilling these responsibilities.

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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected unmodified auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	User IDs for people who have left the authority should be removed from the system.	Medium	Accepted. A review of log ins has been carried out to cancel access for staff who have left the authority.	August 2013, Treasury and Pension Fund Manager
2	Officers should review the level of risk associated with the use of a generic user ID and ensure that appropriate controls are in place.	Medium	Accepted, A review of the risks and the steps taken to mitigate them will be carried out.	October 2013. Financial Systems team leader.

# Appendix B: Audit opinion

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICKSHIRE COUNTY COUNCIL PENSION FUND

### Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Warwickshire County Council Pension Fund for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2012/13.

This report is made solely to the members of Warwickshire County Council Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

### Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Opinion on financial statements

In our opinion the pension fund's financial statements: give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013 and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

John Gregory, Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza  
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West Midlands  
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Date





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