

The Audit Findings for Warwick District Council

Year ended 31 March 2022

3 December 2024



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

This Audit Findings 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. Its contents have been discussed with management.

Laurelin Griffiths
For Grant Thornton UK LLP
3 December 2024

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's 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) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Under the Accounts and Audit (Amendment) Regulations 2024, a publication date for the financial statements in respect of 2021/22 has been set at 13 December 2024.

As at the date of this report, we have concluded a number of areas of our audit work. Where our work is concluded we have set out the detail of the work undertaken and our findings in the body of this report. Where audit work has not been concluded, we have highlighted the work undertaken to date, and any audit findings and recommendations, along with the key areas which remain outstanding.

The main areas on which we have been unable to conclude our work are the Council's capital transactions, and any balances and transactions which originate in the Council's Fixed Asset Register. In addition, management did not provide us with updated financial statements until 30 November 2024 and have not provided us with a full set of supporting information to enable us to complete our final checks on those updated statements.

Our audit of the Council's financial statements has been challenging and time consuming for officers and auditors. This is primarily owing to delays, significant in some cases, in obtaining working papers and reports – often exacerbated as officers learn how to get the best out of the new ledger system.

Our findings from the work we have undertaken are summarised on pages 3 to 19. We have identified a number of adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Unfortunately, in view of the work which is outstanding, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. The limitations of scope imposed by the backstop mean that we will be unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. Our draft opinion is attached in Appendix F.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was previously presented to the Audit & Standards Committee in August 2024.

We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit at the time of issuing our audit opinion.

Significant Matters

We have encountered significant difficulties in the course of our audit work. These are set out on the following pages.

1. Headlines

Significant Matters

Initial delay in publication

Officers notified the audit team well in advance that they would not be able to publish draft accounts by 30 July 2022, as required by the relevant legislation. We agreed an expected date of early September, which Officers were able to meet. While they are to be commended for sticking to the revised timetable, on receipt of the draft financial statements it immediately became clear that there had not been a robust quality assurance process to ensure that the financial statements were as free from error as possible.

Lack of Quality Assurance

Our initial review of the financial statements, before any testing had begun, identified very significant increases in both income and expenditure for portfolios within the Comprehensive Income and Expenditure Statement (CIES) compared to the previous year. These were not in line with our expectations, and so we challenged these movements with management. Officers subsequently identified that reports used to prepare the CIES had been set up incorrectly in the new finance system. The effect of this error was a highly material overstatement of both reported Gross Expenditure and Gross Income. The difference in the CIES once this was corrected was £43,502k. As this affected both expenditure and income equally, Net Expenditure was unchanged.

Other significant errors that the audit team identified on initial review of the draft financial statements included, but are not limited to: errors in the Movement in Reserves Statement, which was not consistent with the CIES; errors in the Expenditure and Funding Analysis, which was internally inconsistent, and did not agree to the outturn reported to members; errors in Note 14 (Property, Plant and Equipment), where classes of asset which are not subject to revaluation showed valuation movements, and where all revaluation movements showed as being posted to the Revaluation Reserve through Other Comprehensive Income, with no movements taken to the Surplus/Deficit on Provision of Services, and incorrect processing of depreciation adjustments upon revaluation; a negative prepayment in Note 19 (Debtors); and issues with the Group Accounts.

In our view, these issues were all apparent from reading the financial statements as a standalone document, and the majority of these should have been identified and addressed through the Council's internal quality assurance processes before the draft financial statements were published, and provided for audit.

Difficulties in providing appropriate reports for audit sampling

Officers and auditors spent significant amounts of time working together to produce and agree suitable reports for audit testing in a number of areas, in particular journals, debtors and creditors. Our work on journals has been made more complicated owing to the change in financial accounting system part way through the year. Management override of controls is a significant risk for all audits. The processing of journals is a key area under this risk and is an area of particular audit focus. Our work is supported through use of specialised software which allows for the identification of journals which meet specific characteristics. This approach provides higher levels of assurance to both auditors and Those Charged With Governance than a purely manual approach would. However, auditors need certain information to be able to use the software, and this proved problematic on both systems. With the new ledger system it took a significant amount of time for us to be provided with a journals report which showed all of the officers who had been involved in the journal, rather than just the individual who interacted with the transaction last. This is a key area for us to be able to test for appropriate segregation of duty. We were not provided with this information for several months, and it took a number of attempts to obtain it. We were provided with appropriate listings and reports in December 2022, after the audit was planned to have finished.

Our work on trade receivables and trade payables was also far more challenging than officers and auditors would have wished. We experienced considerable delays in obtaining suitable reports for audit in both of these areas. Included in Note 19 – Debtors – is an amount of £5,988k for 'trade receivables'. These are amounts owed to the Council, usually by trade customers. In most councils officers are easily able to run reports analysing this balance at a point in time, usually on an aged basis, which is then used for debt collection and credit control. Officers were unable to do this, and provided us with a transaction listing for the full year, including thousands of lines of 'ins and outs' relating to the balance. These original reports were not in a format that was appropriate for audit testing because they included highly material balances brought forward from prior years with no clear way to determine what amounts were owed to or from the Council at 31 March 2022.

Listings provided for the testing of trade receivables included debit items totalling £147,831k and credit items totalling £141,844k. These reports therefore totalled £289,675k on an absolute basis, to support a balance of £5,988k. The position on trade payables was similar, with a balance of £5,454k supported by reports totalling £230,046k on an absolute basis.

1. Headlines

Significant Matters (continued)

Significant issues identified with capital records and capital transactions

The Council implemented a new Fixed Asset Register (FAR) for the 2021/22 financial year, which was incorrectly set up, and this has caused significant issues with the Council's asset records. Significant and important transactions were incorrectly posted within the system due to issues with the way that it was set up. The system is also 'live', and therefore all changes to the data within it are immediate and prospective, and management cannot provide historic point-in-time reports.

We have not been able to gain assurance that the FAR reconciles to the general ledger and the financial statements at 31 March 2022, and we have also been unable to gain assurance that the movements and transactions posted into the ledger based on the FAR were accurate, appropriate, or in line with the accounting standards and the Code. This was a particular issue for revaluation movements, where we found indication that revaluation movements were not being treated correctly in the FAR. We have also been unable to tie the movements in revaluations through to appropriate reports which demonstrate the allocation of those movements to the Revaluation Reserve and the CIES as appropriate.

Following audit challenge, management have worked closely with the company that provide the general ledger and FAR to resolve these issues, but have not been able to do so in the time available. Significant questions and uncertainties remain.

We have also raised concerns with the Council's asset management, including: a lack of valuation of surplus assets, as required for assets held at fair value; a lack of processes or checks to capture disposals of assets via means other than sales; potential material issues with the Council's assets under construction records and balances, where we note that there are material balancing figures being added and removed from the balance in the Council's working papers which appear to be caused by issues with the recognition of transfers out of AUC; and potential issues with the Council's accounting for significant capital projects and capital retention balances, where the Council has not been able to provide us with sufficient appropriate support for its treatment of balances and assets.

In August 2024 it was agreed that the issues in the Council's FAR and asset records were so significant that it would not be possible for management to fully rectify these, and for the audit team to fully audit the results, before the Government-imposed backstop in December 2024. It was also agreed that management's time and effort would be better spent on getting to a 'correct' position at 31 March 2024 that could be audited as part of the 2023/24 financial statements audit, with a view to rebuilding assurances going forward. The Audit & Standards Committee were informed of this decision at the meeting of 27 August 2024. Our audit opinion has been modified in respect of this matter – see the draft wording included at Appendix F.

Additional audit resource required

We have had to add to the strength and capacity of our audit team, including the use of a further two Assistant Managers during 2023 while we worked to resolve issues and complete as much of our audit work as possible. Despite this, the significant issues identified with the Council's capital records have resulted in protracted discussions between the audit team and management, which have spanned the latter half of 2023 and all of 2024. In addition, some non-capital queries remained unresolved for significant periods of time. All of this work has resulted in an increase in the proposed Audit Fee, as set out in Appendix D.

Updated financial statements

Based the audit work that we have completed, we expect highly material changes to all four primary statements – the CIES, Balance Sheet, Movement in Reserves Statement (MIRS) and the Cash Flow Statement. As management did not provide us with updated financial statements until 30 November 2024, and have not provided us with a full set of supporting information, we have not been able to complete our final checks on those updated statements.

Impact on our Value for Money work

The significant challenges we have encountered in our audit work, and the number and magnitude of adjustments to the financial statements, have resulted in a significant weakness being reported in the Council's arrangements to secure Value for Money. For further detail on the work performed, see our Auditor's Annual Report, which was reported to the Audit & Standards Committee in August 2024.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents 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;
- An evaluation of the component of the group based on a measure of materiality considering it as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. Significant discussions were held with management about the inclusion of group accounts in the financial statements, and it was eventually decided that these were not necessary. No audit work was therefore completed on the balances and transactions of other entities in the group; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

As highlighted on page 3 of this report, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. Combined with the significant issues identified and delays experienced during the audit of the Council's capital records, the limitations of scope imposed by the backstop are so extensive that we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out in an Appendix F.

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We advise you to follow relevant guidance including that from the NAO and the FRC to work with your new auditor over the coming years, to seek to rebuild audit assurance.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan.

We note that in our audit plan we were anticipating setting a separate materiality for the group. Following initial work performed, we are satisfied that group accounts were not required for 2021/22. A separate materiality was therefore not set.

We detail in this table our determination of materiality for Warwick District Council.

	Council (£)	Qualitative factors considered
Materiality for the financial statements	1,600,000	We determined planning materiality to be £1,600k (PY £1,400k) for the Council, which equates to 1.75% of your prior year gross expenditure.
Performance materiality	1,000,000	<p>We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at approximately 65% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors:</p> <ul style="list-style-type: none"> • We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment. • There has not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Council. • Senior management and key reporting personnel in the finance function has remained stable from the prior year audit.
Trivial matters	80,000	We determined the threshold at which we will communicate misstatements to the Audit & Standards Committee to be £80k.
Materiality for senior officers' remuneration	10,000	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 officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine 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 by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Findings</p> <p>Our work on the Council's in-year journal transactions has not identified any instances of management override, although we have raised a control recommendation in relation to IT access rights. Our work on accounting estimates and critical judgements made by management has not raised any concerns, other than the significant issues discussed elsewhere in this report in relation to the Council's capital records and fixed asset register.</p>
<p>New financial ledger implementation</p> <p>The new financial ledger went live in November 2021. There is a significant risk that the transfer of data from the old system to the new one is not complete or accurate.</p>	<p>To address this risk our IT auditors reviewed the Council's process for ensuring the data migration was complete and accurate and the IT General Controls in place around the new financial ledger.</p> <p>Findings</p> <p>The findings from the work undertaken by our IT auditors were reported to management separately. As noted above, we have raised a recommendation in relation to excessive access rights in the new ledger system. No significant issues were identified in the completion of our work.</p> <p>We have reported earlier in this report the significant challenges that management have faced in producing appropriate reports in some areas, and the significant issues identified with capital records. While this is to be expected with a new system the extent of the issues has caused significant additional work and delays for auditors and officers.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumed risk can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue and expenditure recognition could be rebutted, because:

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

Therefore we did not consider this to be a significant risk for Warwick District Council.

Findings

We have not identified anything during the completion of our work that has caused us to reconsider this assessment.

We have identified a highly material error in the income reported in the CIES, but this was due to a mapping issue rather than an error in the underlying records.

We have also noted some issues through our testing of transactions around the year-end, and have raised a recommendation in this area.

Risk of fraud related to expenditure recognition

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We rebutted this risk for Warwick District Council because:

- expenditure is primarily related to employee costs; and
- lack of incentive to manipulate financial results, coupled with an overall strong control environment.

We therefore did not consider this to be a significant risk for Warwick District Council.

Findings

Similar to the revenue assessment above, we have not identified anything during the completion of our work that has caused us to reconsider this assessment.

We have identified a highly material error in the expenditure reported in the CIES, but this was due to a mapping issue rather than an error in the underlying records.

We have also noted some issues through our testing of transactions around the year-end, and have raised a recommendation in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council revalues its land, buildings and council dwellings on a rolling five-yearly basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £438m of council dwellings and £82m other land & buildings) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling program is used.

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

To address this risk we:

- 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;
- wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the Council's balance sheet; and
- evaluated assumptions made by management for assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Findings

Management use an external valuer, Carter Jonas, to provide valuations. We did not identify any issues with the valuations of individual assets revalued in year based on the work that we were able to complete. However, due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we have been unable to confirm that the valuation reports provided are consistent with the fixed asset register, the general ledger and the financial statements, or that these valuations have been processed correctly in the financial statements.

Our work has identified a number of other potentially material issues in the Property, Plant and Equipment disclosure and balances in the financial statements, including:

- misallocation of additions across the categories of PPE;
- assets not being appropriately written out of the Council's records where disposals were for reasons other than sale;
- assets that transferred out of AUC into operational HRA transferred at the wrong value. These assets should have been transferred out at cost (£14m) and then valued as part of the operational portfolio (down to £10m), leading to a downwards revaluation in the HRA which is not disclosed in the draft accounts;
- assets having revaluation reserve balances in excess of their value, which is not possible under correct accounting principles;
- issues with the treatment of capital retention balances. From our testing of cash payments and invoices received immediately following the year-end, we identified a risk of material misstatement in this area and do not consider that we have assurance that there is not a material error in these balances;
- uncertainties regarding the appropriateness of the accounting for multi-year capital projects; and
- potential issues regarding the timing of the transition from AUC to operational assets.

However, as we have not been able to reconcile the Council's records it is not possible to fully confirm and quantify these and other issues. **Our audit report has been modified in this regard.**

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£33.7m in the Council's balance sheet; £50m in the prior year) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where the actuary indicated that a 0.5% change in these two assumptions would have an approximately £16.5m - £18.5m (8.4 to 9.4%) effect on the gross liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

To address this risk we:

- updated our understanding of the processes and controls put in place by management to gain reasonable assurance that Council's net pension 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 Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council 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;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and
- obtained 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.

Findings

The audit of the Warwickshire Pension Fund identified that gross assets were understated by £13.6m owing to delays in the valuation process for the fund's assets. This is normal due to the required timelines for closing down and reporting the results of the financial year.

The Council's share of this error would be £0.8m, meaning that assets are understated by this amount. Were management to adjust for this the net LGPS liability would be reduced by the same amount. Management have declined to amend on the basis that it is immaterial and will be corrected in the next valuation. This is included in the unadjusted misstatements included in Appendix C.

Due to the delay in completing the audit, the results of the 2022 triennial valuation of the pension fund are available. These results provide better information about the pension fund at 31 March 2022 than had initially been used in the draft financial statements (which were based on the rolled forward results of the 2019 valuation).

Management commissioned a revised IAS19 report from their actuary to account for this updated information, which has resulted in a material adjustment to the accounts, increasing the pension liability by £2.7m.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
<p>Preparation of group financial statements</p> <p>This is the first year that the Council prepared group financial statements.</p>	<p>Findings</p> <p>The Council's draft financial statements included group accounts, incorporating the Council's subsidiary, Milverton Homes Ltd (MHL). We challenged management on the inclusion of these accounts, as they did not materially differ from the Council's single entity accounts in any way.</p> <p>The Council's initial response was simply that they had consolidated the accounts of MHL as the wholly owned subsidiary. It became clear that no consideration had been given to the correct treatment of Crewe Lane JV LLP, MHL's joint venture delivery vehicle, as the Council had only consolidated MHL's single entity accounts.</p> <p>We therefore requested that the Council consider how the group accounts should have been prepared as per the requirements of the Code. When management provided us with their revised assessment, it incorrectly assessed the JV as a 'structured entity' to the Council.</p> <p>We further challenged management on their assessment and, through discussions with the accountants for MHL, management were able to demonstrate that the correct treatment for incorporating the JV into MHL's accounts brought the investment in at a value of £nil. This therefore meant that there was no requirement for group accounts to be prepared, and they have been removed.</p>
<p>Valuation of investment properties</p> <p>The Council is required to revalue its investment property annually.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £10.3m of investment property) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> 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; wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and tested revaluations made during the year to see if they had been input correctly into the Council's balance sheet. <p>Findings</p> <p>We did not identify any issues with the valuations of individual assets revalued in year based on the work that we were able to complete. We are satisfied that, for investment properties, the valuation report agrees to the value of investment properties that is presented in the financial statements. However, due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we are unable to give full assurance over these balances. Our audit report has been modified in this regard.</p>

2. Financial Statements - new risks

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

Issue	Commentary
<p>Valuation of infrastructure assets</p> <p>The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Warwick District Council has material infrastructure assets, at a gross/net value basis, therefore there is a potential risk of material misstatement related to the infrastructure balance.</p>	<p>CIPFA has published an Update to the Code on Infrastructure Assets - November 2022, that applies from the financial year 2021/22 to the financial year 2024/25. This removes the requirement to disclose gross book value and accumulated depreciation for infrastructure assets.</p> <p>DLUHC has put before parliament Statutory Instrument 2022 No 1232 (England) - effective from 25 December 2022 which includes two key elements:</p> <ul style="list-style-type: none"> • The local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets. • Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code. <p>We anticipate management amending the presentation of the financial statements as a result of the Statutory Instrument, however, due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we have been unable to gain sufficient, appropriate assurance over these balances. Our audit report has been modified in this regard.</p>
<p>Treatment of capital retentions</p> <p>Where significant capital projects are undertaken, it is not unusual for 'retentions' to be withheld from payments to contractors.</p> <p>These amounts are not paid over until the project reaches completion, however they are amounts owed for works that have already been undertaken. These balances should therefore form part of the Council's payables balance, and (where the expenditure is capital in nature) the costs should be capitalised as part of the asset being constructed.</p>	<p>The Council has been unable to evidence that it has accrued appropriately for retentions on its capital projects at the end of the financial year.</p> <p>Our testing of cash payments and invoices received immediately following the year-end has identified a number of errors in relation to this issue. A rough extrapolation of these issues indicates a potential understatement of £1,369k. We therefore do not consider that we have assurance that there is not a material error in these balances.</p> <p>Management assert that retentions are appropriately accounted for, and we requested support to demonstrate that retention balances were being monitored and appropriately accrued at 31 March 2022. We did not receive this support in advance of the backstop date and so have not been able to gain assurance in this area.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments
Council Dwellings, Other Land and Building, and Investment Property valuations	<p>The Council's financial statements show that it owns 5,527 (PY: 5,462) dwellings. These are valued using the beacon methodology, in which a detailed valuation of representative properties for properties of all types is then applied to similar properties.</p> <p>The Council completed a full valuation of council dwellings at 31 March 2022. The year end valuation of Council Dwellings was £438.085m.</p> <p>Other land and buildings comprises specialised assets which include assets such as Newbold Comyn Leisure Centre, Royal Spa Centre, and Pump Rooms, which are required to be valued at depreciated replacement cost (DRC) at year end.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end.</p> <p>The Council also holds investment properties, which were valued at £10.3m at year-end, a net increase of £0.266m from 2020/21.</p> <p>The Council has engaged its own external valuer, Carter Jonas LLP, to complete the valuation of these properties.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed the objectiveness and competency of management's expert; considered the completeness and accuracy of the underlying information used to determine the estimate; compared the consistency of estimate against a report from Gerald Eve setting out indices movements in the year; tested the value of the properties by comparing a sample to enable us to assess the reasonableness of the increase in the estimate; and reviewed the adequacy of disclosure of estimate in the financial statements. <p>We did not identify any issues with the valuations of individual assets revalued in year based on the work that we were able to complete.</p> <p>Due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we are unable to give full assurance over these balances. Our audit report has been modified in this regard.</p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Net pension liability

The Council's total net pension liability at 31 March 2022 per the draft accounts is £33.7m (PY £49.8m).

The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from the Local Government Pension Scheme in which it participates (which is the Warwickshire Pension Fund, administered by Warwickshire County Council).

A full actuarial valuation is required every three years. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

The formal valuation of the Warwickshire Pension Fund at 31 March 2022 (and for all English and Welsh LGPS Funds) was concluded by 31 March 2023, giving better information about the membership and position of the fund at the balance sheet date.

PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2022.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.70%	2.70- 2.75%	●
Pension increase rate	3.20%	3.15-3.30%	●
Salary growth	4.00%	3.15-4.30%	●
Life expectancy – Males currently aged 45 / 65	22.7 / 21.6 years	21.4-24.3 years / 20.1-22.7 years	●
Life expectancy – Females currently aged 45 / 65	25.9 / 24.1 years	24.8-26.7 years / 22.9-24.9 year	●

We have also reviewed the:

- completeness and accuracy of the underlying information used to determine the estimate;
- there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above;
- reasonableness of the Council's share of LGPS pension assets;
- reasonableness of decrease in estimate; and
- adequacy of disclosure of the estimate in the financial statements.

We have also reviewed the revised actuarial report reflecting the updated information available as a result of the triennial valuation of the pension fund. Management have agreed to make a material adjustment to the accounts to reflect this revised report, increasing the pension liability by £2.7m.

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We identified omissions from the Council's related party transactions disclosures through the completion of our work in this area. These omissions were trivial to the Council's financial statements, but have resulted in a recommendation in Appendix A.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work to date.
Written representations	A letter of representation will be requested from the Council upon the completion of our work.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to those organisations with which it banks, invests and borrows from. This permission was granted. We have identified no issues from the work performed to agree the Council's records to those records held by third parties. We have, however, identified other issues in the Council's cash balances in the financial statements, as reported elsewhere in this report.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations / significant difficulties	It has taken significant time to obtain appropriate audit trails in a number of places, and certain reports have also taken longer to obtain in an appropriate format than would be expected, for example debtor, creditor and journal reports. The finance team are aware that it will take time for the new finance system to be fully effective, and for reports to be set up so that they are fit for purpose in the first instance. In addition, we have identified significant issues with the Council's capital records and fixed asset register, as discussed elsewhere in this report.

2. Financial Statements - other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>As we have been unable to conclude our audit in advance of the local authority backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<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 and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work on the Narrative Report identified a number of amendments. Our work on the Annual Governance Report identified that a number of enhancements were required to fully comply with requirements. Management have amended both documents.</p> <p>As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>Because of the significance of the matters that have resulted in the disclaimer of opinion, we have been unable to consider whether the Annual Governance Statement does not comply with '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.</p> <p>We also note that our Auditor's Annual Report, as presented to the Audit & Standards Committee in August 2024, included a significant weakness in relation to financial sustainability as a result of the issues and delays experienced in the audit.</p>
Specified procedures for Whole of Government Accounts	<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>This work is no longer required as the NAO have completed their work on the WGA for 2021/22.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2021/22 audit of Warwick District Council in the audit report.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

The results of our VFM work were reported to the Audit & Standards Committee in August 2024, and included a significant weakness and Key Recommendation in relation to the issues and delays experienced during the course of the audit.

4. 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 D.

Transparency

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

4. 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 which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit subsidy certification 2020/21 [May 2021 – January 2022]	20,000	For these audit-related services, we consider that the following perceived threats may apply: <ul style="list-style-type: none"> • Self Interest (because these are recurring fees) • Self Review • Management 	<p>The level of recurring fees taken on their own is not significant in comparison to the confirmed scale fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statement to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to the audit of the financial statements, and is performed after the audit of the financial statements has been completed.</p> <p>The scope of work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.</p>
Certification of Pooling of Housing Capital Receipts 2020/21 [January 2022]	2,300		
Housing Benefit subsidy certification 2021/22 [May 2022 – May 2023]	22,600		
Certification of Pooling of Housing Capital Receipts 2021/22 [January 2023 to date]	7,500		
Housing Benefit subsidy certification 2022/23 [Not yet commenced]	24,600		
Certification of Pooling of Housing Capital Receipts 2022/23 [Not yet commenced]	10,000		
There were no non-audit related services			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Standards Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 15 recommendations for the Council as a result of issues identified during the course of our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Controls

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

Assessment	Issue and risk	Recommendations
High	Significant errors in the draft financial statements Our initial review of the financial statements presented for audit identified a number of highly material errors and a significant number of minor corrections in the financial statements which a robust quality assurance process should have identified.	Officers need to ensure that the closedown and accounts production timetable includes sufficient time for robust quality assurance procedures. Management response [...]
High	Excessive IT user access rights There are a number of individuals within the finance team with access rights beyond those needed for their role. Management should be cognisant of the fraud risk associated with individuals having both elevated access (admin rights) and also undertaking operational roles.	The Council should review the access of its employees and rectify this issue where necessary. Management response [...]
High	Bank reconciliations During our audit work on the cash balances at 31 March 2022, we identified that the Council was not completing regular, formal bank reconciliations, and no evidence was retained of any reconciliation processes that were completed during the financial year. There was no formal, documented bank reconciliation prepared at 31 March 2022. During our audit work we have identified balances included in cash that did not exist, balances included in cash that should have been included in debtors, and balances that should have been treated as reconciling items in a bank reconciliation (as they were timing differences between the Council's records and the bank's records) and were not.	Officers need to ensure that the full cash balance, and any investment balances, are reviewed regularly to ensure that records are accurate. Formal bank reconciliations should be completed on a monthly basis as a minimum, and these reconciliations should be documented and retained. Suspense accounts should, wherever possible, be cleared at each month-end. Management response [...]

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	<p>New General Ledger and available information and reporting</p> <p>There were a number of instances during the audit where Officers were unable to provide relevant general ledger data and appropriate reports for audit in a timely manner. This is also linked to the issues discussed above relating to quality assurance over the draft financial statements.</p>	<p>Officers should improve their understanding of the reporting functionality available to them from the new general ledger in order to obtain appropriate information first time. This will allow the preparation of more accurate financial statements, and will allow future years' audit teams to undertake their work more efficiently.</p> <p>Management response</p> <p>[...]</p>
High	<p>New Fixed Asset module and available information and reporting</p> <p>There has been significant, protracted discussion with Officers relating to the functionality of the Fixed Asset module, and the capital information available to support the Council's financial statements.</p> <p>As discussed earlier in this report, we have identified a number of areas of concern and potential issues in this area, and have not been able to gain assurance over these balances and transactions.</p> <p>Our view is that a number of these issues should have been identified through management's quality assurance processes.</p>	<p>Officers should improve their understanding of the functionality of the Fixed Asset module, and ensure that it is following the requirements of the CIPFA Code and relevant accounting standards.</p> <p>They should also ensure that appropriate levels of information and system reports are retained at each year-end to support the balances and transactions in the financial statements, and to demonstrate that proper accounting principles are being followed.</p> <p>Management response</p> <p>[...]</p>
High	<p>Analysis of Assets Under Construction balances</p> <p>During the course of our audit, management were unable to provide us with sufficient detail to support the AUC balance, and in particular to identify which assets had transferred out of AUC during the financial year.</p> <p>There is a risk that, over time, errors may accumulate within this balance.</p>	<p>We recommend that management maintain AUC records on an asset-by-asset basis where individual assets are identifiable, as opposed to by project as is currently the case. This will also assist management with actioning the recommendation below.</p> <p>Management response</p> <p>[...]</p>
High	<p>Lack of regular consideration of AUC impairment</p> <p>No formal consideration was given to the potential need to impair assets under construction at year-end. Following audit challenge, the Council has made an adjustment to impair one asset by £1,620k. There remains a risk that other required impairments have not been identified.</p>	<p>The Council should complete a formal impairment review with sufficient regularity to ensure that AUC are not held in the Balance Sheet at a materially incorrect value.</p> <p>Management response</p> <p>[...]</p>

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	Year-end accruals process Our testing of the Council's year-end balances, and of transactions in the period immediately after the 31 March 2022, identified errors and omissions in debtors, creditors, and in particular capital creditors.	The Council should look to improve its year-end processes and controls so that items of income and expenditure, both revenue and capital, are included within the correct financial statements. Management response [...]
Medium	Accruals de minimis The Council has a de minimis threshold of £10k in place for its income and expenditure accruals. This de minimis policy has not been reviewed since 2018/19 when it was introduced.	The Council should review this policy sufficiently regularly to ensure that there is no risk that material amounts and balances are omitted from the financial statements. Management response [...]
Medium	Frequency of property valuations for operational properties The Council's accounting policy for measurement of property states that 'assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year-end, but as a minimum every five years.' This policy is consistent with the requirements of the CIPFA Code. However, the Council has not complied with its policy in 2021/22.	The Council needs to put in place arrangements to ensure that all assets are revalued sufficiently regularly to comply with its accounting policy and the requirements of the Code. Management response [...]
Medium	Frequency of property valuations for surplus properties Per the CIPFA Code, surplus assets should be measured at fair value in the Balance Sheet, which requires a formal annual revaluation to be performed. Not all of the Council's surplus assets were revalued at 31 March 2022, with some last valued at 31 March 2019 and one asset held at historic cost.	The Council should put in place arrangements to ensure that, where assets are required to be held at fair value, those assets are revalued at each balance sheet date. Management response [...]
Medium	Annual declarations and related parties Our work on Related Party Transactions identified seven undeclared Member interests, two of which were organisations with which the Council had transactions during the year. It is very important that Members (and Officers) declare all organisations in which they have an interest so that they can be protected from any allegations of impropriety.	The Council should ensure that both Members and Officers are aware of the importance of making declarations, irrespective of whether they anticipate the Council having transactions with those organisations. Additional controls should be established to ensure that obvious omissions are identified by the Council. Management response [...]

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p>Supporting breakdowns of collection fund reliefs</p> <p>Management was unable to provide complete breakdowns of the Council Tax and Business Rates reliefs and discounts granted during 2021/22. They were able to provide reports showing the breakdown for the accounts which were allocated an award relating to the 2021/22 year, but not those that were for previous years but were actioned in 2021/22.</p> <p>As the majority of the awards granted in 2021/22 were in relation to 2021/22, these breakdowns were close to the account totals but none agreed exactly.</p>	<p>Officers should review the reporting available in relation to Council Tax and Business Rates reliefs and discounts, and determine how best to obtain this information going forward.</p> <p>Management response</p> <p>[...]</p>
Medium	<p>Provision for Business Rates appeals</p> <p>The Council's provision for Business Rates appeals includes a material balance for potential appeals that are not already in the Check, Challenge and Appeal process. This balance was calculated as 4.7% of projected 2022/23 NDR income.</p> <p>GT's view is that it is not appropriate to calculate a provision based on income not yet earned - it should instead have been calculated based on elements of historic income. We have also not been provided with evidence that management have formally reconsidered the appropriateness of using 4.7% as the basis for this estimate (4.7% being an historic, national average.)</p>	<p>Management should formally review their approach to calculating this provision, to ensure that it is being calculated using the best available information for potential appeals from businesses within Warwick District.</p> <p>Management response</p> <p>[...]</p>
Medium	<p>Trade payables and receivables breakdowns</p> <p>Our work on trade receivables and trade payables was challenging due to a lack of suitable reports. Management were unable to provide a breakdown of balances owed to and owed by the Council at 31 March 2022, and were only able to provide reports showing transactions relating to these balances throughout the financial year.</p> <p>This means that management have no clear way to determine what amounts were owed to or by the Council at any given date.</p>	<p>Management should review the reporting functionality of the new general ledger to identify a way to report on, and therefore appropriately monitor and manage its creditor and debtor balances.</p> <p>Management response</p> <p>[...]</p>

B. Follow up of prior year recommendations

Assessment

- ✓ Action completed
X Not yet addressed

We identified the following issues in the audit of Warwick District Council's 2020/21 financial statements, which resulted in four recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations below, but note that these remain ongoing issues.

Assessment	Issue and risk previously communicated (from PY AFR)	Update on actions taken to address the issue
<p>X</p> <p>(superseded)</p>	<p>Bank Reconciliation</p> <p>The 'cash in bank' balance is composed of various cost centre accounts - all of which are separately maintained for the bank balance and other cash reconciling items such as cash in transit, unpresented cheques and cash transfers in/out. Officers prepare monthly cash reports to summarise cash income, expenditures, and transfers in/out during the period and agree them to the ending balances of each cost centre. However, there is really no bank reconciliation performed during the year for the whole cash in bank account. Hence, Officers overlooked to reconcile the difference of £1m at the end of the year.</p> <p>Officers advised the audit team that the difference comes from the postings on "PARIS suspense account." Being a suspense account, this should be zeroed out at year-end. On further investigation Officers identified that they overlooked to make an entry to reclassify the PARIS suspense account to short-term debtors.</p> <p>Officers are also unable to reconcile the remaining difference of £94k between the adjusted cash balance per the bank reconciliation and balance per the ledger. Officers believe the difference may pertain to the timing difference between the bank statement and ledger postings.</p>	<p>Previous recommendation</p> <p>Management should prepare monthly bank reconciliations that consider all the cost centre accounts that make up the cash in bank account. Any suspense accounts should be cleared and reconciling items investigated at the same time.</p> <p>Update</p> <p>Following the implementation of the new general ledger, the Council's bank reconciliation processes have inevitably changed.</p> <p>As reported earlier in this report, Officers have written off a significant historic cash balance during 2021/22 following audit challenge.</p> <p>This would imply that Officers had not reviewed these balances appropriately during the year, or as part of the accounts production process.</p> <p>We have therefore raised a new recommendation in 2021/22, based on our findings and the new process. We consider this recommendation is superseded.</p>

B. Follow up of prior year recommendations

Assessment

- ✓ Action completed
X Not yet addressed

Assessment	Issue and risk previously communicated (from PY AFR)	Update on actions taken to address the issue
X (superseded)	<p>Fixed Asset Register</p> <p>There is an £89k difference between the fixed asset register and the ledger, and hence the financial statements. Officers are unable to identify why this is and correct the imbalance.</p> <p>While there is little risk of the property values being materially misstated, even over time, the two should agree.</p> <p>Recommendation</p> <p>Management should identify and correct the differences between the fixed asset register and the ledger.</p>	<p>Significant issues have encountered during the audit of the Council's capital records in 2021/22, as discussed elsewhere in this report. We have been unable to reconcile the Council's financial statements, general ledger, fixed asset register and valuation reports. We have also been unable to reconcile the opening position of the fixed asset register to the closing position for the previous financial year.</p> <p>We have therefore raised a new recommendation in 2021/22, based on our findings and the new process. We consider this recommendation is superseded.</p>
TBC	<p>Floor area evidence to support property valuations</p> <p>Neither the external valuer, Carter Jonas, nor officers, were able to provide us with floor areas for the assets we tested. We were provided with floor plans, but these did not include any measurements.</p> <p>Recommendation</p> <p>As floor area is a key determinant in the valuation of some properties, Management need to ensure that this information is readily available.</p>	<p>No such issues were identified during the work that we have completed on the balances at 31 March 2022. However, due to the significant capital issues encountered during the audit, discussed elsewhere in this report, we were unable to complete our work in this area.</p> <p>We are therefore unable to provide a conclusion on whether this recommendation has been appropriately addressed during 2021/22.</p>
X (superseded)	<p>Provision for Business rates appeals</p> <p>The provision is estimated based on the national average of 4.7% which is applicable in the previous calculations of provisions for business rates appeals.</p> <p>By using an out of date process the estimate of the provision could be misstated.</p> <p>Recommendation</p> <p>The Council should consider the Check, Challenge and Appeal (CCA) data in the computation of provision for business rates appeals.</p>	<p>The Council has amended its approach to calculating the provision for appeals in 2021/22, and has incorporated the Check, Challenge and Appeal data and information into this estimate. However, the provision still also retains a balance for other potential appeals, using the same methodology as in previous years.</p> <p>We have therefore raised a new recommendation in 2021/22, based on our findings and the new process. We consider this recommendation is superseded.</p>

C. 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 identified misstatements we anticipate management adjusting

The table below provides details of adjustments identified during the 2021/22 audit which we expect management to have made within the final set of financial statements. As management did not provide us with updated financial statements until 30 November 2024, and have not provided us with a full set of supporting information, we have not been able to complete our final checks on those updated statements. This has resulted in a modification of our audit report. The information presented here is for the information of the Audit & Standards Committee, so that you can consider the adjustments made in the financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
Highly material error in the Council's income and expenditure		
As discussed elsewhere in this report, the reports used to prepare the CIES had been set up incorrectly, the effect of which was to overstate both gross expenditure and gross income within the financial statements by highly material amounts. Net Expenditure was not impacted.		
Correcting this has the following impact:		
Dr Gross income	43,502	
Cr Gross expenditure	(43,502)	
Asset impaired for known structural issues		
During the 2023/24 year, management became aware of structural issues with one of the Council's assets under construction. As the 2021/22 financial statements had not been signed, and this was information about the condition of the building at 31 March 2022, an adjustment should be made to the 2021/22 financial statements to reflect the reduced value of this asset.		
This adjustment has the following impact:		
Dr Valuation movements in CIES		1,620
Cr Assets under construction		(1,620)
<i>continued over page</i>		

C. Audit Adjustments

Impact of identified misstatements we anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
Accounting for Sherbourne Recycling Facility		
The draft financial statements included incorrect financial reporting in relation to the Council's investment in the mixed recycling facility at Sherbourne. This was initially included in the accounts as an Asset Under Construction, but is not the Council's asset.		
Correcting this accounting should have the following impact:		
Dr Long term debtors		2,298
Dr Expenditure	349	
Cr Assets under construction		(2,647)
Accounting for Housing Benefits overpayments		
During work performed to address our audit queries in relation to Debtors, Creditors and Financial Instruments, management identified that HB overpayments were incorrectly mapped to the CIES instead of to debtors (as amounts that are owed back to the Council).		
Correcting this error would have the following impact:		
Dr Debtors		311
Cr Expenditure	(311)	
Adjustment relating to the last payment run of the year		
The Council made a BACS payment run at the end of March 2022 which did not clear the Council's bank account until April 2022. As a timing difference between the bank records and the Council's records, we would expect this item to appear as a reconciling item on the Council's bank reconciliation at year-end.		
Instead management included the balance as a negative 'prepayment' within the Debtors balance.		
Correcting the Council's treatment of this balance should have the following impact:		
Dr Debtors		3,317
Cr Cash		(3,317)

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C. Audit Adjustments

Impact of identified misstatements we anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
Treatment of income suspense accounts		
The Council has a small number of income suspense accounts within the general ledger, where income is coded if cash is received but it is initially unclear what the payment relates to. These balances are reviewed and allocated against actual debtor balances regularly.		
In the draft financial statements, these ledger balances were included within the Council's cash, reducing the balance in the financial statements. However, these items should not be reducing cash, as the cash has actually been received, even if it is unclear what debtor balances it relates to. We consider that it would be more correct to reduce debtors.		
Dr Cash		120
Cr Debtors		(120)
Legacy cash balances from the previous general ledger		
Testing of the Council's bank reconciliation, and agreeing the bank account balances to confirmations received from the Council's banking counterparties, we identified accounts included within 'cash' in the financial statements that had no substance behind them and were historic balances rolled forward from the old general ledger.		
Removing these balances from the accounts will have the following impact:		
Dr Expenditure	735	
Cr Cash		(735)
Misallocation of grants received in advance within the balance sheet		
Testing of creditors identified an item with a value of £2,078k that was incorrectly classified as a creditor. This item should instead be recognised within the 'capital external grants/contributions in advance' balance on the Balance Sheet.		
Dr Creditors		2,078
Cr Receipts in advance		(2,078)
continued over page		

C. Audit Adjustments

Impact of identified misstatements we anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
Triennial valuation of the Warwickshire Pension Fund		
The results of the 2022 triennial review provided better information about the pension fund at 31 March 2022 than had initially been used in the draft financial statements (which were based on the rolled forward results of the 2019 valuation). Management commissioned a revised IAS19 report from their actuary, which has resulted in a material adjustment:		
Dr Actuarial movements in Other Comprehensive Expenditure	2,748	
Cr Pension liability		(2,552)
Cr Pension asset		(196)
Overall impact	£3,521k	(£3,521k)

C. Audit Adjustments

Misclassification and disclosure changes identified

The table below provides details of misclassification and disclosure changes identified during the audit which, unless otherwise stated, we anticipate management adjusting in the final set of financial statements. As management did not provide us with updated financial statements until 30 November 2024, and have not provided us with a full set of supporting information, we have not been able to complete our final checks on those updated statements. This has resulted in a modification of our audit report. The information presented here is for the information of the Audit & Standards Committee, so that you can consider the adjustments made in the financial statements.

Disclosure	Detail
Note 2 – Standards that have been issued but have not yet been adopted	The draft financial statements included accounting standards in this note that would not have a material impact on the financial statements and therefore did not require disclosure. Management agreed to remove these.
Note 3 – Critical judgements in applying accounting policies	The disclosure included in the draft financial statements included items that we do not consider to be critical judgements, and are largely either repetition of the Council's accounting policies, or items that would not have a material impact on the financial statements. Management agreed to amend for some of these items, but not all.
Note 4 – Assumptions made about the future and other major sources of estimation uncertainty	The disclosures made in the draft financial statements are not compliant with the requirements of the accounting standards. The narrative should refer to specific inputs within the calculations of the Council's estimates, and the potential change in those specific inputs over the course of the next 12 months. Management have declined to amend this disclosure.
Note 8 - Expenditure and income analysed by nature Note 34 – Grant income	<p>Testing of the Council's grant income identified two items which were incorrectly shown in Note 34 as income recognised in year. Grant income in the disclosure note is therefore overstated. Our testing identified a factual error of £2,479k, and this extrapolates to a potential total overstatement of grant income in Note 34 of £2,737k.</p> <p>Government grants and contributions within Note 8 should be adjusted by a corresponding amount, to remain consistent with Note 34. The fees and charges shown in Note 8 should then be increased to offset this movement, as this figure was calculated as a balancing figure by the Council, and total income should not change.</p> <p>We are satisfied that this is a disclosure-only issue, and is not reflective of the underlying accounting for these grants, the element of these items that relates to future years has been correctly recognised within the 'capital external grants/contributions in advance' balance in the Balance Sheet, and has not been recognised in the CIES.</p>
Note 14 – Property, plant and equipment	<p>We noted that there were a significant number of assets held at £nil net book value in the Council's equipment balances. Testing identified that a number of these were no longer owned and used by the Council. Management completed a review of these balances, and proposed an amendment of the accounts to remove £5m of these assets.</p> <p>We do not have sufficient, appropriate assurance that these disposals occurred during the 2021/22 financial year, rather than in an earlier year. Due to the issues with the Council's capital records more generally, we do not consider that further work on this adjustment would have given us any assurance over the assets in the financial statements.</p>

C. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure	Detail
Note 14 – Capital commitments	The Council has not provided us with supporting evidence for the HRA capital commitments disclosed in Note 14. We have been informed by management that the disclosure is based on the budgets for HRA projects for the 2022/23 financial year, but this is not necessarily the same as amounts contractually committed. We do not have assurance over this disclosure.
Note 14 – Infrastructure	A Statutory Instrument was enacted on 25 December 2022 that removed the requirement to include the gross book value and accumulated depreciation disclosures for infrastructure assets for open sets of financial statements.
Note 20 – Debtors for local taxation	In the audit team's view, the link between Note 19 (Debtors) and Note 20 (Debtors for local taxation) was not clear in the draft financial statements. Management have agreed to add narrative to Note 20 to explain that the balances included relate to multiple entities and not just the Council.
Note 23 – Provisions	<p>Management's working papers do not contain enough information for the various movements in the provision during the year to be determined on a gross basis. Only the net movement from opening to closing balances can be agreed.</p> <p>In addition, no information is included in the working papers to agree the split of long-term and short-term provisions. We are satisfied that this does not give rise to a potential material misstatement of the disclosure note, but we do not have assurance that the movements disclosed are correct.</p>
Note 17 – Financial instruments	Significant changes are required to the financial instruments disclosures following errors and issues identified elsewhere in the accounts, as errors in the balances for debtors, creditors and cash will all impact on these disclosures.
Note 30 – Officers' remuneration	The £201k exit package included in Note 31 related to the Deputy Chief Executive and should have been included in Note 30. Per the requirements of the Code and the regulations, compensation for loss of employment is an element of remuneration.
Note 35 – Related party transactions	<p>We note that the Council has made a highly material loan to a related party (Crewe Lane, Joint Venture of Milverton Homes) during the year. The Related Party Transactions note in the draft financial statements does not disclose this loan, and we would expect it to do so.</p> <p>In the draft accounts this is disclosed in the group accounts, but as these are no longer considered necessary following audit challenge, this information should be disclosed in the Council's single entity accounts.</p>
Note 36 – Capital Expenditure and Capital Financing	This note initially included a value of £244k in respect of Minimum Revenue Provision. The figure supported by the Council's working paper is £344k.
Narrative Report	A number of amendments were agreed with Officers to ensure that the report reflected the draft financial statements and was factually correct. As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.
Annual Governance Statement	The Annual Governance Statement in the draft financial statements did not include all information needed to meet requirements. As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

C. Audit Adjustments

Impact of identified misstatements we do not anticipate management adjusting

The table below provides details of misclassification and disclosure changes identified during the audit which we do not anticipate management adjusting in the final set of financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of all items not adjusted in the financial statements, and this is included in the Letter of Representation requested.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting								
Extrapolated error noted in testing of Trade Payables As part of our trade payables testing, we identified errors on 2 sampled creditor balances leading to a net £50,913 understatement. We have extrapolated this error rate across the total trade payables population which has resulted in a total estimated error of £99,294. Correcting this error would have the following impact on the financial statements: <table> <tr> <td>Dr Expenditure</td><td>99</td><td></td><td></td></tr> <tr> <td>Cr Creditors</td><td></td><td>[99]</td><td></td></tr> </table>	Dr Expenditure	99			Cr Creditors		[99]				Immaterial extrapolation
Dr Expenditure	99										
Cr Creditors		[99]									
Errors noted in Business Rates Creditors Testing of the Council's collection fund related creditors has identified that the Council used incorrect inputs into the calculation of the Business Rates Safety Net/Levy calculation at year end. This led to an error in the amount that the Council owed. Correcting this error would have the following impact on the financial statements: <table> <tr> <td>Dr Creditors</td><td></td><td>424</td><td></td></tr> <tr> <td>Cr Expenditure</td><td>[424]</td><td></td><td></td></tr> </table>	Dr Creditors		424		Cr Expenditure	[424]					Immaterial
Dr Creditors		424									
Cr Expenditure	[424]										
Settlement of a legal case since year-end An issue which is included in the Council's Contingent Liabilities disclosure was settled since the end of the financial year. Under IAS 10, the settlement of a legal case is an example of an adjusting event after the reporting period, as it gives information about an obligation that existed at the balance sheet date. Adjusting for this settlement would have the following impact on the financial statements: <table> <tr> <td>Dr Expenditure</td><td>150</td><td></td><td></td></tr> <tr> <td>Cr Provisions</td><td></td><td>[150]</td><td></td></tr> </table>	Dr Expenditure	150			Cr Provisions		[150]				Immaterial
Dr Expenditure	150										
Cr Provisions		[150]									

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C. Audit Adjustments

Impact of identified misstatements we do not anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting								
Provisions for Business Rates Appeals As discussed earlier in this report, the Council's provision for Business Rates appeals includes a material balance for potential appeals that are not already in the Check, Challenge and Appeal process. This balance was calculated as 4.7% of projected 2022/23 NDR income. Our view is that it is not appropriate to calculate a provision based on income not yet earned - it should instead have been calculated based on elements of historic income. Correcting this error would have the following impact on the financial statements: <table> <tr> <td>Dr Provisions</td><td></td><td>107</td><td></td></tr> <tr> <td>Cr Expenditure</td><td>(107)</td><td></td><td></td></tr> </table>	Dr Provisions		107		Cr Expenditure	(107)					Immaterial estimate
Dr Provisions		107									
Cr Expenditure	(107)										
Error noted by the Pension Fund audit team We note that the auditor of the Warwickshire Pension Fund identified an understatement in the valuation of the Fund's assets in the course of their audit procedures. The auditor reported at total understatement of the Fund's assets of £13.6m. The Council's share of this total estimated error is approximately £816k. Adjusting this in the Council's financial statements would have the following impact: <table> <tr> <td>Dr Pension Assets</td><td></td><td>816</td><td></td></tr> <tr> <td>Cr Actuarial movements within Other Comprehensive Income</td><td>(816)</td><td></td><td></td></tr> </table>	Dr Pension Assets		816		Cr Actuarial movements within Other Comprehensive Income	(816)					Immaterial estimate
Dr Pension Assets		816									
Cr Actuarial movements within Other Comprehensive Income	(816)										
Under-accrual of income Testing of a key item of income in the period immediately after the financial year-end identified an item of accrued income that had been omitted from the financial statements. Other errors were identified from this testing, but we are satisfied that the impact of these would have been trivial to the accounts. Correcting the non-trivial item identified would have the following impact on the financial statements: <table> <tr> <td>Dr Debtors</td><td></td><td>215</td><td></td></tr> <tr> <td>Cr Investment income</td><td>(215)</td><td></td><td></td></tr> </table>	Dr Debtors		215		Cr Investment income	(215)					Immaterial
Dr Debtors		215									
Cr Investment income	(215)										
Overall impact	(£1,313k)	£1,313k									

C. Audit Adjustments

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 2020/21 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
Property Plant and Equipment			Immaterial
The value of Property Plant and Equipment at 31 March 2021 was £89k less than the value of assets per the underlying fixed asset register.			
Correcting this disagreement during 2021/22 would have had an impact on the 2021/22 financial statements, but we cannot identify the exact adjustment required to the CIES.			
Dr Property Plant and Equipment		89	
Cr CIES	[89]		
We also note that we have modified our audit report in relation to these balances in 2021/22.			
Overall impact	(£89k)	£89k	

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	73,140	169,141
Total audit fees (excluding VAT)	£73,140	£169,141

Details of variations in final fees from the proposed fee are detailed on the next slide.

Non-audit fees for other services	Final fee
Audit Related Services	
Housing Benefit subsidy certification 2020/21 (May 2021 – January 2022)	20,000
Certification of Pooling of Housing Capital Receipts 2020/21 (January 2022)	2,300
Housing Benefit subsidy certification 2021/22 (May 2022 – May 2023)	22,600
Certification of Pooling of Housing Capital Receipts 2021/22 (January 2023 to date)	7,500 (to be confirmed)
Housing Benefit subsidy certification 2022/23 (Not yet commenced)	24,600 (to be confirmed)
Certification of Pooling of Housing Capital Receipts 2022/23 (Not yet commenced)	10,000 (to be confirmed)
Total non-audit fees (excluding VAT)	£87,000

D. Fees

Audit fees	Final fee
Scale Fee as determined by PSAA	44,290
Additional work in relation to the net pension liability as a result of challenges from the FRC	688
Additional work in relation to the property, plant and equipment revaluations as a result of challenges from the FRC	688
Additional work due to the additional challenges raised by the FRC	3,125
Additional work in relation to our journals tested as a result of challenges from the FRC	3,000
Additional work due to the changes in ISA 540	2,100
Value for Money audit	10,000
Additional work in relation to the adjustments made to the net pension liability resulting from the triennial valuation	6,000
Additional work in relation to the consideration of the need for group accounts	3,500
Additional work in relation to Infrastructure Assets	2,500
Additional work in relation to the implementation of the new general ledger	12,000
Additional work due to errors the quality of the draft financial statements and issues faced	42,500
Additional work resulting from the issues with the Council's capital records and fixed asset register	38,750
Total audit fees (excluding VAT)	£169,141

E. Management Letter of Representation

Dear Sirs

Warwick District Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2022 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 2021/22 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 financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. 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.
- iii. 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.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the Council's net pension liability, and the valuation of the Council's land and building assets. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. 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.

- vii. 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.
- viii. 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.
- ix. 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.
- x. 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.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the 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 :
 - a. the nature of the Council means that, notwithstanding any intention to cease the Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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.

E. Management Letter of Representation

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvii. 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, with the exception of the items listed in representation xxvi;
 - 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, from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

- xxvi. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 2021/22 by the statutory backstop date. This includes information relevant to the Council's capital assets and capital accounting, as well as elements of supporting working papers relevant to the preparation of Council's updated financial statements

Annual Governance Statement

- xxvii. 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

- xxviii. 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.

Approval

The approval of this letter of representation was minuted by the Council's Audit & Standards Committee at its meeting on 12 December 2024.

F. Disclaimer of Audit opinion

Independent auditor's report to the members of Warwick District Council

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Warwick District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, and notes to the financial statements, including a summary of significant 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 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

The Authority provided us with a final draft of the financial statements on 30 November 2024, but did not provide all required supporting working papers. As such, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's capital asset records are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with '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.

Opinion on other matters required by the Code of Audit Practice

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether the other information published together with the financial statements in the Statement of Accounts 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
- 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 Head of Finance and Those Charged with Governance for the financial statements

As explained in the Council's Responsibilities set out on page 26, 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 Head of Finance. The Head of Finance 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

F. Disclaimer of Audit opinion

In preparing the financial statements, the Head of Finance 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 responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter, except on 27 August 2024 we identified a significant weakness in the Authority's arrangements to monitor and manage its financial sustainability. During 2021/22 the Authority implemented a new general ledger system. The draft financial statements for the 2021/22 year, the first prepared using the new system, contained a large

number of significant errors, including capital issues which have not been resolved. We recommended that the Authority:

- ensures that its finance team is sufficiently resourced, with appropriate skills, to ensure that the issues that delayed the completion of the 2021/22 financial statements audit are resolved; and
- prepares timely, high quality financial statements for later years, supported by appropriate reports and working papers to enable audits to proceed with minimal issues.

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 issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Warwick District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

