

The updated Audit Findings for Warwick District Council

Year ended 31 March 2021

Warwick District Council

8 December 2021

1. Executive summary

This page updates Those Charged with Governance on the work completed following presentation of our Audit Findings Report on 3 November 2021.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

We presented our Audit Findings Report to the Finance & Audit Scrutiny Committee (the Committee) on 3 November 2021. We reported that, subject to outstanding queries being resolved, we anticipated issuing an unqualified audit opinion. These outstanding items were:

- completion of our work in relation to property valuations;
- completion of our work in relation to the net pension liability;
- completion of our work in relation to journals testing;
- completion of our work in relation to the Movement in Reserves Statement;
- completion of our work in relation to housing benefit expenditure;
- receipt of management representation letter; and
- review of the final set of financial statements.

Officers and the audit team have continued to make progress on these areas, and we are now in a position to provide the Committee with an update on each of these items. We anticipate that, after the Finance & Audit Scrutiny Committee meeting on 8 December 2021, we will be in a position to provide an unqualified audit opinion on the Council's financial statements.

As the Whole of Government Accounts (WGA) guidance and reporting template has yet to be issued we will not be able to provide a Certificate closing the audit. Work on our Annual Auditor's Report is close to completion and we will share a draft of our report with the Council in December.

2. Updated audit findings

We report below the audit findings in relation to the items which were outstanding when we presented our report to the Finance & Audit Scrutiny Committee on 3 November 2021.

Property valuations

Our work in this area is now complete and we are satisfied that the overall value of council dwellings of £411,124k is fairly stated. However, in addition to the findings reported on 3 November, we encountered a number of challenges with regard to the valuation of council dwellings. The housing stock totals 5,462 dwellings, with a requirement to revalue annually. In order to make this achievable councils apply the “Beacon” approach. This involves determining a much small number of properties which are representative of similar groups, for example “Warwick - 1945-1959 3 & 4 bed houses”. Warwick District Council has 53 such “beacons”. For each beacon the same property is revalued each year, and the value applied to the rest of the group, with appropriate adjustments for the number of bedroom etc. Our work in this area found:

- One beacon property which the Council has not owned since 1992. While we are satisfied that the property is representative of the beacon it represents, it would make more sense to value properties which the Council actually owns, and therefore has access to.
- The list of beacons provided to the external valuer, Carter Jonas, was not the same as the list provided to audit. This caused additional work as it appeared that the beacon properties valued were not actually representative of the group. Testing of an initial sample of 10 beacon properties being checked back to the housing system to test the beacon categorisation of the properties identified two errors. We extended the sample to test a further 10 properties. This further testing identified one property no longer owned by the Council (see bullet point above) and one property categorised in the wrong beacon. Further discussions between Carter Jonas (Valuers) and Officers identified that the beacon definition listing originally provided to audit was erroneous and meant all beacons after number 42 were incorrect due to a duplication in category in the erroneous list. This has led to this particular area of work taking much longer than necessary but does mean we are able to conclude that the properties tested were in fact in the correct beacon.

Net pension liability

Our work in this area is now complete and we have no further issues to report.

Journals testing

Our work in this area is now complete. While we did not identify any evidence of management override of controls our risk based testing of 26 journals identified two which had not been authorised in accordance with the Council policy. Further investigation identified eight other journals that had not been authorised as required. Officers have since reviewed these and are satisfied that they are appropriate. Our audit testing confirms this to be the case.

Prior Period Adjustment

Our work identified that the prior year Net Cost of Services figures in the Comprehensive Income and Expenditure Statement (CIES), together with the Expenditure and Financing Analysis (EFA), had been amended from the audited accounts. This is because of a re-organisation of the Council Portfolios, with the prior year figures being restated so that they are comparable with the current year. While this is appropriate, the CIPFA Code requires certain disclosures so that a reader of the financial statements can see the movements between years for each impacted note. This includes clearly showing which note is “Restated”. We have agreed appropriate disclosures with Officers, including a new Note (41) which includes the detail.

2. Updated audit findings continued

We report below the audit findings in relation to the items which were outstanding when we presented our report to the Finance & Audit Scrutiny Committee on 3 November 2021.

Movement in Reserves Statement

Our work on the Movement in Reserves Statement (MiRS) is still ongoing, but we have no further issues to report at this stage.

Housing benefit expenditure

We have a small amount of work to complete in this area. We expect this to be done before the Finance & Audit Scrutiny Committee on 8 December. We do not anticipate that this work will impact on our proposed audit opinion.

Receipt of management representation letter

We will ask for this to be signed, dated and provided to us after the Finance & Audit Scrutiny Committee on 8 December.

Review of the final set of financial statements

We anticipate completing our final checks, to ensure that all of the requested amendments have been made, before the Finance & Audit Scrutiny Committee on 8 December.

