



Borough of Tamworth

Marmion House,  
Lichfield Street, Tamworth,  
Staffordshire B79 7BZ.

Enquiries: 01827 709 709  
Facsimile: 01827 709 271

## AUDIT AND GOVERNANCE COMMITTEE

21 September 2016

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 22nd September, 2016 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. G. ...' with a flourish.

### A G E N D A

#### NON CONFIDENTIAL

**4 The Final Report - The Audit Findings For Tamworth Borough Council**  
(Pages 1 - 36)

The Report of Grant Thornton (External Auditor)

*People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail [committees@tamworth.gov.uk](mailto:committees@tamworth.gov.uk) preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.*

To Councillors: J Chesworth, M Summers, C Cooke, J Faulkner, M Gant, R Kingstone  
and J Oates

# The Audit Findings for Tamworth Borough Council

Year ended 31 March 2016

22 September 2016

**John Gregory**

Director and Engagement Lead  
T 0121 232 5333  
E [john.gregory@uk.gt.com](mailto:john.gregory@uk.gt.com)

**Joan Barnett**

Manager  
T 0121 232 5399  
E [joan.m.barnett@uk.gt.com](mailto:joan.m.barnett@uk.gt.com)

**Denise Mills**

In charge auditor  
T 0121 232 5306  
E [denise.f.mills@uk.gt.com](mailto:denise.f.mills@uk.gt.com)



Tamworth Borough Council  
Marmion House  
Lichfield Street  
Tamworth  
Staffordshire  
B79 7BZ

22 September 2016

Dear Members of the Audit and Governance Committee

Grant Thornton UK LLP  
Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

[T +44 (0) 121 232 4000  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

### **Audit Findings for Tamworth Borough Council for the year ending 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Tamworth Borough Council, the Audit and Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

John Gregory

#### **Chartered Accountants**

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A Audit opinion

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# Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

The Council provided a good set of accounts and working papers. Officers were very helpful in turning round audit queries promptly. The Council is well-prepared to meet the challenge of the 31 July audited accounts deadline that is mandated from 2018.

## Purpose of this report

This report highlights the key issues affecting the results of Tamworth Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under 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 whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements: whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act) .

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In carrying out our audit we have made a minor adjustment to our planned audit approach, which we communicated to you in our Audit Plan dated March 2016. This relates to our work on employee remuneration. Our planned review of monthly trend analysis gave us the required assurance that payroll expenditure was recorded in the correct year and negated the need for testing of payroll payments in April and May 2016.

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

- Obtaining and reviewing the management letter of representation
- Updating our post balance sheet events review, to the date of signing the opinion, and
- Final senior management and quality reviews.

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

## Key audit and financial reporting issues

### Financial statements opinion

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

The financial statements for the year ended 31 March 2016 recorded net expenditure on the provision of services of £4.7 million. Our audit has not identified any material errors or uncertainties in the financial statements. No amendments have been made to the reported outturn or balances.

The Executive Director Corporate Services has amended the accounts for the disclosure changes identified during the audit which are primarily to correct minor errors and improve the presentation of the accounts.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix A).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We did not find any issues in relation to this.

## Controls

### Roles and responsibilities

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

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### Findings

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



## Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

We found that the Council has in place good arrangements for partnership working which helps support delivery of its strategic priorities.

In addition, we found that the Council had good arrangements in place to secure its financial resilience.

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

## Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

## Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit and Governance Committee which is anticipated to be issued in January 2017.

## The way forward

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

Insignificant disclosure changes have been discussed and agreed with the Chief Finance Officer and the finance team.

## Acknowledgement

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

**Grant Thornton UK LLP**  
**September 2016**

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## Section 2: Audit findings

01. Executive summary

02. **Audit findings**

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

The accounts were of a good standard requiring only a small number of minor presentational changes.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined materiality for the financial statements as whole as a proportion of the gross revenue expenditure of the Council. This was £1,025k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and reviewed the value of gross revenue expenditure in the draft accounts. This led us to revise our overall materiality to £1,081k (being 2% of gross revenue expenditure in the draft accounts).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £54k compared to £51k in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users' understanding of the financial statements
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing would be deemed to have implications on the users understanding of the financial statements
Related party transactions	Related party transactions have to be disclosed if they are material to the Council or to the related party	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the Council and the related party.

# Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.  Page 10	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tamworth Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Tamworth Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work performed</p> <ul style="list-style-type: none"> <li>• testing of journal entries including review of entity controls</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

## Audit findings against significant risks (continued)

We also identified the following significant risk of material misstatement from our understanding of the entity. We set out below the work we have completed to address this risk.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.  Page 11	<p><b>Valuation of pension fund net liability</b> The pension fund asset and liability as reflected in the balance sheet represent significant estimates in the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>• reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out.</li> <li>• undertook procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>We were satisfied from our testing of the pension fund net liability that this was fairly stated.</p>

# Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Operating expenses</b></p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• Performed cut off testing of purchase orders and goods received notes (both before and after year end)</li> <li>• Reviewed the year end control account reconciliations</li> <li>• Reviewed the year end accruals processes</li> <li>• Tested for unrecorded liabilities of payments after year end</li> <li>• Tested a sample of operating expenses covering the period 1/4/15 to 31/3/16 to ensure they have been correctly accounted for</li> <li>• Tested a sample of creditor balances at 31/3/16.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Employee remuneration</b></p>	<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls in relation to the completeness assertion to assess whether those controls were in line with our documented understanding</li> <li>• Tested the payroll reconciliation to ensure that the payroll system could be agreed to the ledger and financial statements</li> <li>• Review of monthly trend analysis of total payroll</li> <li>• Tested a sample of employee remuneration payments covering the period 1/4/15 to 31/3/16 to ensure they have been accurately accounted for</li> <li>• Tested other payroll disclosures such as senior officers remuneration and exit packages.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Our testing of exit packages confirmed that £11k had been paid during 2015/16.</p> <p>We also identified that an agreement had been made during 2015/16 for a payment of £13k to be made during 2016/17. Management agreed to add a footnote disclosing this fact to enhance the disclosure.</p>



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## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare expenditure</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 13</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls in relation to the valuation assertion to assess whether those controls were in line with our documented understanding</li> <li>• tested the benefits system reconciliation to ensure that information from the benefits system can be agreed to the general ledger and financial statements</li> <li>• tested a sample of benefits payments to ensure accuracy</li> <li>• carried out certain procedures in accordance with HB COUNT methodology required to certify the housing benefit subsidy claim.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

# Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>The Council's policy is set out in its accounting policies (Note 1 in supporting notes to the financial statements) :</li> <li>Accounting Policy 2 – Accruals of income and expenditure</li> <li>Accounting Policy 12 – Government Grants and Contributions</li> <li>Accounting Policy 24 – Accounting for Council Tax and National Non Domestic Rates</li> </ul>	<ul style="list-style-type: none"> <li>The Council's policies are appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice</li> <li>Minimal judgement is involved</li> <li>Accounting policy is properly disclosed</li> </ul>	 <b>Green</b>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>pension fund valuations</li> <li>useful life of capital assets</li> <li>impairments</li> <li>Property, Plant and Equipment (PPE) valuations</li> <li>Business Rates Retention and Business Rates Appeals</li> <li>Accounting for the Joint Waste Management arrangement with Lichfield DC</li> </ul>	<p>There has been appropriate disclosure of key estimates and judgements</p>	 <b>Green</b>

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**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient



# Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
<p><b>Going concern</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 15</p>	<p>Officers have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>The Council faces significant financial challenges due to continuing austerity measures; and other changes in Local Government funding such as the Business Rates Retention System. To its credit, the Council has a good understanding of the scale of this financial challenge over the medium-term.</p> <p>The Council has approved a Medium Term Financial Strategy (MTFS) that includes a balanced budget for the three years to 2018/19 for the General Fund; and for the five years to 2020/21 for the Housing Revenue Account. It includes savings targets required to achieve balance and maintain reserves balances at, as a minimum, the minimum approved levels of £0.5m each for the General Fund and HRA.</p> <p>We have examined the reasonableness of the assumptions underlying the MTFS, and the sensitivity of the forecasts to changes in those assumptions. We do not consider there to be a material uncertainty which could cast doubt on the Council's ability to continue as a going concern.</p> <p>The Council has general fund balances of £6.7m , earmarked reserves of £6m, HRA balances of £4.7m, and HRA earmarked reserves of £11.4m as at 31 March 2016. Based on this, we are satisfied that it remains appropriate for the Council to prepare accounts on a going concern basis as at 31 March 2016.</p>	<p style="text-align: center;">● <b>Green</b></p>
<p><b>Other accounting policies</b></p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p>	<p style="text-align: center;">● <b>Green</b></p>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# 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
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from the following third-party organisations to support balances reported in the financial statements:                             <ul style="list-style-type: none"> <li>Lloyds Bank (in respect of cash held at bank)</li> <li>The Public Works Loan Board (in respect of long-term borrowings)</li> <li>Various counter parties (in respect of cash equivalent and short term investment balances)</li> <li>Officers were very helpful in obtaining responses when the counter parties were slow in providing these.</li> </ul> </li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no non-trivial omissions in the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audits</li> <li>The information in the Narrative Reports is materially inconsistent with the information in the audited financial statements or our knowledge of the PCC and Chief Constable acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>Note that detailed work is not required as the Council does not exceed the WGA audit threshold.</li> </ul>

# Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration , Operating Expenses, and Welfare Expenditure as set out on pages 12 and 13 above.

The controls were found to be operating effectively and we have no matters to report to those charged with governance.

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## Assessment

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

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.

# Adjusted and Unadjusted misstatements

There were no adjusted or unadjusted misstatement within the Council's accounts

## Misclassifications and disclosure changes

We did not identify any misclassifications. A small number of insignificant disclosure changes have been made to correct minor errors or to improve the presentation and clarity of the accounts, but none of these merits reporting to those charged with governance.

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## Section 3: Value for Money

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- 01. Executive summary
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- 03. Value for Money**
- 04. Other statutory powers and duties
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We did not identify any significant weaknesses in the Council's arrangements to secure value for money.

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in February 2016 based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VFM conclusions and the opinions on the financial statements.
- the findings of other inspectorates and review agencies
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we consider necessary to conclude on your arrangements.

We communicated to you in our Audit Plan dated 31 March 2016 that, as a result of our initial risk assessment, we had identified the following significant risk requiring further work:

- Working with partners and other third parties

We also communicated we would also be focussing on the following as part of our consideration of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources:

- review of the Council's financial resilience, as reflected in the medium term financial strategy and savings factored into annual budgets.

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

### **Significant qualitative aspects**

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

We have not identified any areas requiring reporting to you in this area.

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

### **Recommendations for improvement**

We have no recommendations for improvement.



**Key findings – Significant Risks**

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

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Area of focus	Work to address	Findings and conclusions
<p><b>Partnership Working</b></p>	<p>We have reviewed the Council's arrangements for working with partners to and other third parties to support the delivery of strategic priorities.</p> <p>This included consideration of:</p> <ul style="list-style-type: none"> <li>• the strategy for collaboration and the overall ambition and limitations in this area.</li> <li>• the governance arrangements for partnership working</li> <li>• examining specific examples e.g. Joint Waste Management, community safety partnerships, Tamworth Strategic Partnership, Health and Wellbeing Board</li> </ul>	<p>We found that the Council has good arrangements to work in partnership to support the delivery of strategic priorities.</p> <p>The Council acknowledges that successful collaboration with its partners has contributed to the delivery of its Sustainability Strategy to date; and will contribute to delivering its revised strategic framework and priorities.</p> <p>Governance arrangements are detailed in the Partnership Guidance Policy (PGP) and Toolkit. This documents the processes to set up a partnership, monitor its progress and outcomes, and exit strategy. It also documents the protocol for elected members and for employees who are involved in partnership working. It requires all significant partnerships to be registered on the PGP Database to ensure partnership engagement risks are managed, and there are appropriate support documents in place such as Terms of Reference and Risk Assessment.</p> <p>The Policy requires an annual review of partnerships to assess the continuing relevance to Council priorities and the Council's demand management operating model. The review template needs to be returned to the Head of Partnerships by the end of February to enable reporting on the status of partnership working to be made to Corporate Management Team in March.</p> <p>Examples of partnership working include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Providing waste and recycling in partnership with Lichfield DC across Tamworth and Lichfield. This is delivering these services in a more efficient way. Other efficiencies are being achieved by providing Internal Audit Management Services; and jointly providing building control services (with South Staffordshire Council as the third partner).</li> <li>• Working with the other members of Tamworth Strategic Partnership (TSP) to achieve the shared priorities and objectives for the benefit of Tamworth and its communities. This includes commissioning of services where relevant such as debt advice (via the Citizens Advice Bureau).</li> </ul> <p>Continued...</p>

**Key findings – Significant Risks continued**

Area of focus	Work to address	Findings and conclusions
<p><b>Partnership Working continued</b></p>	<p>Continued.....</p>	<ul style="list-style-type: none"> <li>• TSP acting as the local strategic link to the Staffordshire Health and Wellbeing Board (HWB). The Council's Chief Executive is the pan-Staffordshire HWB Board member with responsibility for developing a Staffordshire-wide approach for the role of housing in HWB. This approach is being tested via the refresh of the Healthier Housing Strategy in Tamworth. This is still in progress, and a report on key learning points to date was taken to the Staffordshire HWB meeting held in March 2016.</li> <li>• Working with its partners on the community safety partnership (CSP) "Safer Tamworth" with the aim of delivering the partnership's mission 'to reduce crime and disorder and improve community safety in the Borough of Tamworth'. The partnership identified the key issues of concern to Tamworth residents and the geographical areas of most concern in respect of crime and disorder to identify the key priorities for it. An example of actions taken by the partnership is the Summerwatch Campaign which aimed to give prevention and safety advice; and to reduce crime and Anti-Social behaviour during the summer. As part of this £110k funding was secured from the Staffordshire Police and Crime Commissioner's (OPCC) 'Space' summer holiday engagement scheme. The Council led on the delivery of the scheme during the summer ,commissioning targeted healthy activities to engage young people aged 11-17.</li> <li>• In addition to the CSP, the OPCC set up the Tamworth Safer Neighbourhood Panel (SNP) – an initiative in each of the Staffordshire districts. The panel's membership comprises one Tamworth BC Councillor; one Staffordshire CC Councillor; one magistrate and six local residents. It is also recruiting members from the business and voluntary sectors. The SNP's aim is to hold the local police commander to account to ensure policing is delivered efficiently . The Panel also seeks to identify improvement opportunities or areas of challenge. For example, the SNP identified that use of Tasar in Tamworth may be an area to explore to ensure appropriate use.</li> </ul> <p>Overall we are satisfied that there are adequate arrangements in place to ensure the benefits of partnership working are realised and developed, and that appropriate governance arrangements are in place.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

**Key findings – Area of Focus**

We set out below our key findings against the area of focus we identified through our initial risk assessment.

Area of focus	Work to address	Findings and conclusions
<p><b>Review of the Council's financial resilience, as reflected in the medium term financial strategy and savings factored into annual budgets</b></p>	<p>We reviewed the Council's financial resilience, as reflected in the medium term financial strategy, and savings factored into annual budgets.</p>	<p>The Council has a track record for delivering budgeted savings and the Council's longer-term financial planning includes a policy on the level of reserves required for sound financial standing.</p> <p>The Council had an underspend of £1.9 m against its 2015/6 revenue budget, due largely to windfall or unbudgeted income (the Council prudently does not forecast such income) and general underspends or the level of estimated contingencies exceeding those actually required.</p> <p>The Council's earmarked and General Fund reserve balances have increased by £1.8m during the year.</p> <p>The Public Sector Audit Appointments Value for Money Profiles as at 31 March 2015 (the latest data available) shows that the Council has above average general fund and earmarked reserves compared to its geographical neighbours.</p> <p>The Council has approved a Medium Term Financial Strategy (MTFS) that includes a balanced budget for the three years to 2018/19 for the General Fund; and for the five years to 2020/21 for the Housing Revenue Account. It includes savings targets required to achieve balance and maintain reserves balances at, as a minimum, the minimum approved levels of £0.5m each for the General Fund and HRA. This provides assurance on the Council's financial sustainability for the period.</p> <p>The Council updates its medium term financial plan alongside the current year budget forecasts. By presenting both a short-term and long-term financial perspective, the Council is able to demonstrate it is aware of how both documents complement each other and support its Corporate Vision and Strategic Priorities.</p> <p><b>We are therefore satisfied that the Council has adequate arrangements with regard to ensuring its financial resilience.</b></p>

**Significant difficulties in undertaking our work**

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

**Significant matters discussed with management**

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

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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## Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

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

06. Communication of audit matters

We confirm below our final fees charged for the audit and confirm provision fees for other services

### Fees

	Proposed fee £	Final fee £
Council audit	49,838	49,838
Grant certification indicative fee (final fee to be confirmed on completion of the work in November 2016)	11,574	11,574
<b>Total audit fees (excluding VAT)</b>	<b>61,412</b>	<b>61,412</b>

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The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

#### Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as certification of the Pooling of Housing Capital Receipts return, are shown under 'Fees for other services'.

### Fees for other services

Service	Fees £
Pooling of Housing Capital Receipts certification work indicative fee (final fee to be confirmed on completion of the work in November 2016)	<b>2,795 (excluding VAT)</b>

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

**06. Communication of audit matters**

# Communication to those charged with governance

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

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

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.a.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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



# Appendices

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# Appendix A: Audit opinion

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMWORTH BOROUGH COUNCIL

We have audited the financial statements of Tamworth Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Accounts, the Statement of Movement on Housing Revenue Account Balance, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### Respective responsibilities of the Executive and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

# Appendix A: Audit opinion

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMWORTH BOROUGH COUNCIL

We have audited the financial statements of Tamworth Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Accounts, the Statement of Movement on Housing Revenue Account Balance, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### Respective responsibilities of the Executive Director Corporate Services and auditor

As explained more fully in the Statement of the Executive Director Corporate Services' Responsibilities, the Executive Director Corporate Services 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

**Conclusion on the Authority’s arrangements to secure value for money through economic, efficient and effective use of its resources**

**Respective responsibilities of the Authority and auditor**

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

We are required under Section 20(1)(c) of the Act 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.

**Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

[Signature]

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

The Colmore Building,  
20 Colmore Circus  
Birmingham  
B4 6AT  
xx September 2016



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