



AUDIT AND GOVERNANCE COMMITTEE

24th April 2024

Wednesday, 24th April, 2024, 6.00 pm in Town Hall, Market Street, Tamworth

SUPPLEMENT – ADDITIONAL DOCUMENTS

Further to the Agenda and Papers for the above meeting, previously circulated, please find attached the following further information, which was not available when the agenda was issued:

Agenda No. Item

6. **Auditor's Annual Report** (Pages 3 - 30)
(*Report of Grant Thornton*)
11. **Audit and Governance Committee Timetable** (Pages 31 - 66)
(Discussion Item)
- Audit Findings Report

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. C. V.'.

Chief Executive

To Councillors: D Maycock, B Clarke, S Daniels, S Doyle, B Price, R Pritchard and
P Thurgood.

Auditor's Annual Report on Tamworth Borough Council

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2022/23

April 2024



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

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Criteria	2022/23 Risk assessment	2021/22 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, and no improvement recommendations have been made. See further commentary on pages 6-9 of this report.	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, but one improvement recommendation has been made. See further commentary on pages 10-13 of this report.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, but three improvement recommendations have been made. See further commentary on pages 14-19 of this report.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

Tamworth Borough Council has a strong track record of managing its finances prudently and in spite of what has been a turbulent period in Public Sector finances due to Covid-19, the war in Ukraine, and the cost of living crisis, the council has maintained a grip on its finances. We note that the challenges ahead are significant especially the further into the Medium Term Financial Strategy (MTFS) cycle that the Council gets, but early indications from 2023/24 forecasts are that the Council is managing that uncertainty well. Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any significant weaknesses and have not raised any key recommendations.



Governance

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We note that the members of the Audit and Governance Committee have changed following recent elections, but we have made improvement recommendations relating to both ensuring good attendance and to the quality of challenge from the committee though we note that a training programme is in place to support the committee. We have not identified any significant weaknesses and have not raised any key recommendations. See pages 13 for more detail on the improvement recommendation.



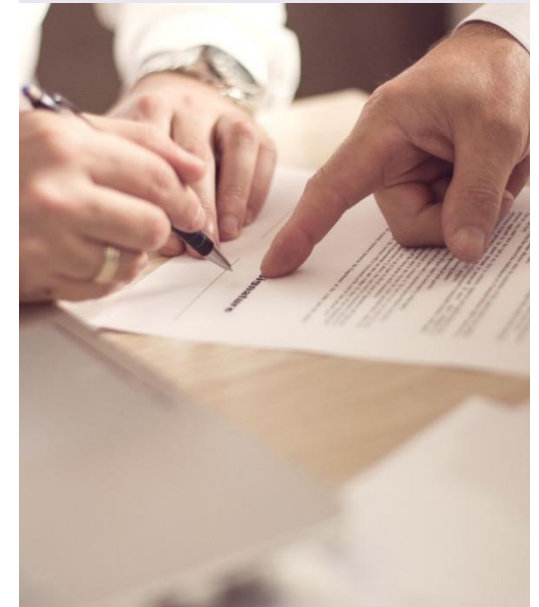
Improving economy, efficiency and effectiveness

The Council has had resource challenges in its performance team and this has led to some delays in addressing two of the improvement recommendations from our 2021/22 work. Accordingly we have rolled these forward in the knowledge that the team is now better resourced and able to address the specific points around the quality of service plans and the performance indicators contained within them. The Procurement team has acted on our recommendation from 2021/22 with a live procurement pipeline now in place and integrated with the Contracts Register to create a seamless link between the two. We note that tenders are not regularly reported to the Audit and Governance Committee, and have therefore included an improvement recommendation. Our work has not identified evidence of significant weaknesses within the arrangements in place. See pages 17 to 19 for more detail on the improvement recommendations identified.



Financial Statements opinion

We have completed our audit of your financial statements and intend to issue an unqualified audit opinion on 24 April 2024, following the Audit Committee meeting on 24 April 2024. Our findings are set out in further detail on page 22.



Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 19.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Unusually we have carried out our reviews of arrangements for the 2021/22 and the 2022/23 financial years relatively close to each other in terms of timescale. This is due, in the main, to delays in both accounts production and audits following the Covid-19 pandemic. We reported on the 2021/22 audit in June 2023 and were able to include in that report some of the most up to date detail relating to the 2023/24 financial year. Our work on the 2022/23 audit as detailed in this report has therefore focused mainly on any changes since June 2023. In 2022/23 the Council was still feeling the effects of the pandemic, although funding from Central Government to meet additional costs ceased. We note that there were additional pressures in budget costs, rising energy costs, inflation, interest rates, Brexit and due to supply chain issues it is clear that Councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability.

Financial outturn 2022/23

Tamworth Borough Council has historically performed well, with a track record of strong financial and budgetary management despite the challenging environment in which it is operating. The Council originally set a deficit budget for the General Fund of £0.26m for 2022/23 in February 2022. The Council achieved a favourable variance of £0.63m and this was reported to Cabinet in June 2023. This is largely due to a Business rates income variance (£11.2m) which then offsets some impairments (£8.8m) and a £1m overspend due to shortfall in Assembly Rooms ticket sales and catering sales.

The Council originally set a deficit budget for the Housing Revenue Account of £1.95m in its update to Cabinet in June 2023. The Council subsequently reported an unfavourable

variance of £0.92m. The variance is largely due to the housing repairs contract.

Financial forecast outturn 2023/24

The Council originally set a revenue budget for 2023/24 of a net cost of £8.8m which represented a deficit budget of £1.2m for the General Fund (GF).

The Housing Revenue Account deficit budget was set at £419k.

The Quarter 2 Performance Report which went to Corporate Scrutiny Committee (CSC) updated members on the forecast outturn for the year. This predicted the GF to be £1.4m under budget the main reasons being:

- treasury management interest above budget because of rising interest rates and increased balances available to invest;
- an improved predicted outturn of £200k income on short-stay car parking;
- £170k additional underspend on treasury management;
- Additional £130k in benefits estimates (positive) and
- £160k underspend included for various vacant posts across the council.

The result of this is the council is forecasting it will be underspent at 2023/24 year end by around £200k which is planned to be used to ease future years deficits by adding the underspend to reserves.

The HRA budget is showing a favourable variance of £40k.

Financial sustainability

Budget setting process

The annual budget setting process for 2023/24 involved consultation with directorate heads and budget holders who were asked to submit proposals in the summer 2022 (August). These proposals were reviewed by the Finance team before being assessed by the Corporate management team (CMT). Updated budget proposals for 2023/24 were then presented to both Corporate Scrutiny Committee (CSC) and Cabinet in October and November 2022. These were then developed into the annual budget and the MTFS in December 2022 and January 2023 and signed off at Cabinet and Council in February and March 2023. At the end of this process there was a deficit of £1.2m for the 2023/24 in the Budget and this was reported in the MTFS at the February 2023 Cabinet. The above budget setting process is in line with our expectations.

The original plan was that there would be a transfer from reserves to deal with projected £1.2m deficit but as noted in the 2023/24 financial forecast section above this reserves transfer was not required ultimately as the £1.2m forecast deficit had moved to a £0.2m surplus mainly due to increased income from treasury management and car parking plus savings from underspends.

Budgetary control

There are good systems in place for oversight of the budget. The finance department engages at least monthly with budget holders via its Finance Business Partners who are aligned to specific services or Directorates and who provide both challenge and support to departments. At senior level both CSC and Cabinet are appraised of progress against budget via the quarterly performance report which includes detail of variances to budget and the revised forecasts for both year end outturn and the MTFS. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular

identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are clearly set out.

Medium term financial strategy

The MTFS for General Fund revenue expenditure (2023/24 - 2025/26) was updated and presented to members in January 2023 then approved in February 2023.

The headline figures for 2023/24 are:

- A General Fund net cost of services of £8.8m;
- A transfer of £1.2m from General Fund balances;
- A transfer of £1m from HRA balances;
- A General Fund capital programme of £10.8m over 5 years; and
- A Housing capital programme of £38m over 5 years.

Table 1 below shows the emerging challenge for the Council though it should be noted that the income/funding forecasts assume a worst case scenario in terms of the business rates reset by Central Government.

Table 1 – Budget Deficit

	2023/24	2024/25	2025/26
Total Expenditure	£8.8m	£10.2m	£12.6m
Total Income	£7.6m	£8.1m	£7.8m
Budget Gap	(£1.2m)	(£2.1m)	(£4.8m)
Cumulative Gap	(£1.2m)	(£3.3m)	(£8.1m)

Source: MTFS 2023-24

The current forecast for 2023/24 year-end outturn is an underspend of £1.4m meaning that the Council has closed the financial gap of £1.2m for the year and also reduced the 2024/25 deficit by £200k. Ongoing quarterly forecasts include sensitivity analysis showing best case, medium case and worst case forecasts.

The MTFS includes £3m over 3 years from 2024/25 for works to achieve Zero Carbon & reducing energy costs including Insulation & potential Installation of Solar PV to homes. Proposals included for 2023/24 include an additional post for a period of three years to kick start activity on the net zero workstream – as well as a permanent budget of 5K for Net Zero activity, specifically referenced in the Cabinet Report dated 30 June 2022.

Savings plans

The Council monitors the delivery of planned savings, and mitigating actions where required, on a quarterly basis. These are reported to the Corporate Management Team on a monthly basis and to the Corporate Scrutiny Committee (CSC) and Cabinet on a quarterly basis. The financial performance report for quarter 2 in November 2023 reported that savings of £2.8m per annum are required over the 5-year period from 2023/24 to 2027/28.

The savings required by the Council are set out within the MTFS which was approved in February 2023. Initially a deficit of £1.2m for 2023/24 was planned to be met from reserves. However, the quarterly update in November 2023 reported that this was no longer required due to savings via underspends and increased income from treasury management.

Financial sustainability

We reported in last year's audit that savings plans had not been reported separately and we recommended that savings monitoring should be made more clear to members. We note that the Quarter 1 and 2 performance reports in July 2023 and November 2023 now include a separate section as part of the budget monitoring analysis which highlights the savings plans and progress against them. The majority of savings are included within the budget monitoring sections of the quarterly performance reports which highlight the main reasons for variances.

Financial planning

The Corporate Plan (2022-2025) clearly sets out corporate strategic priorities, which are also referenced within the Council's financial planning. The plan provides a framework to invest in the Council's broader ambitions and long term priorities. We are satisfied there is a clear linkage between the Medium Term Financial Strategy (MTFS) and the priorities set out in the Corporate Plan. These priorities are referenced in the MTFS.

The capital programme also supports the Council's corporate priorities. The capital programme is mainly focused on the development of the high street as part of the Future High Streets Fund (FHSF) project.

The two largest projects for the Council moving forward are the FHSF (£21.6m) and the planned works to HRA dwellings (£53m). The Council has an ongoing capital programme of over £10.8m for 2023/24 and had an asset base of £242m as at 31 March 2022. Capital spending achieved does reflect the Council's priorities as set out in the Corporate Plan.

Managing risks to financial resilience

The Council has identified risks to the capital and revenue forecasts as part of the MTFS. These risks are scored as high, medium or low and given a control measure in order to reduce the risk to MTFS. The 2023/24 MTFS has identified a shortfall in the General Fund of £8.8m over 5 years. The majority of this shortfall will be managed by planned savings and policy changes and we can already see this happening via the quarter 2 performance report which notes savings/additional income of £1.4m to offset the original forecast deficit for 2023/24 of £1.2m. This has a cumulative impact on following years of the MTFS cycle too, such that the 2024/25 deficit is now reduced to £470k.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.

Reserves

The Council had a relatively strong reserves position at 31 March 2023 with usable reserves of £63.8m

Table 2 – Reserves

Reserve	£m
General Fund	9.6
Earmarked	19.5
Capital	23.4
HRA	11.3
Total	63.8

Source: MTFS 2023-24

It has set a minimum level of reserves of £0.5m. Reserves are planned to be used over the period of the MTFS where required but the expectation is that the council will make the necessary savings without the need to deplete reserves. For example at the start of 2023/24 the plan was to use £1.2m of reserves to manage the forecast budget gap. However, by the end of Q2 the council was forecasting a £1.4m surplus meaning they are able to contribute £200k to reserves rather than use them to manage budget gaps.

Capital

The Council has a Capital Strategy in place which is clearly linked to the priorities in the Corporate Plan. The capital programme includes spending across the Future High Streets Fund (FHSF) project, disabled facilities grants, castle grounds tennis courts, new build housing and housing maintenance and repairs. The MTFS takes into account the revenue costs of capital expenditure and we have not identified any inconsistencies between the capital strategy and other financial plans.

The Council's five-year capital programme, reported to members in February 2023, details the capital programme from 2022/23 to 2027/28. This shows a significant level of capital budget in the General Fund of £10.8m for that 5-year period. This capital budget includes £5.8m for 2023/24 and this increased to £12.24m in 2023/24 plus £21.3m deferred from 2022/23 giving a total capital budget for 2023/24 of £33.5m.

Major capital projects are managed by the relevant budget holder/contract manager, with appointed clerk of works, architects as appropriate. There are quarterly reports on capital spending and the progress of the capital programme.

Financial sustainability

These reports set out each of the capital projects and their spend against budget and reasons for variances / actions being taken. There are detailed reports to Cabinet and to Corporate Scrutiny Committee setting out the funding of the capital programme, be that allocated reserves or borrowing.

The FHSF has its own programme board to manage the different components of the programme and it has reported quarterly to the Infrastructure & Growth Committee as well as Cabinet and the Corporate Scrutiny committee. We include more detail on the FHSF project in our section on 'Improving economy, efficiency and effectiveness' on page 15 of this report.

In the Housing Revenue Account capital spend is planned to be £37.9m across the five years. For 2023/24 the Housing capital budget was £8.1m which was increased by £7.9m deferred from 2022/23 to give a total 2023/24 budget of £16m.

Investments

During 2022/23 the Council maintained an average balance of £75.8m of internally managed funds. The internally managed funds earned an average rate of return of 2.16%.

The comparable performance indicator is the average 3 month SONIA rate which was 2.72%. This compared with a budget assumption of £37.3m.

The Council also holds some more complex investments such as the Ankerside shopping centre, the risk profile of this investment has increased over the past year due to the change in ownership of the lessee. The Council is currently negotiating with the lessee with resolution expected in early 2024. See further details on page 15.

In recent years, the council have increased their investment into property funds and have used the proceeds of the sale of a golf course to invest in a range of property assets. The total value of the investment is £11.962m. This has in turn increased the Council's exposure to the market

We have reviewed the Council's processes for determining which funds to invest in and are satisfied that the Council took appropriate advice. They are following appropriate DLUHC guidance, property, fund performance is reported quarterly to Cabinet (& Corporate Scrutiny Committee) and is also included as part of the three statutory Treasury reports during the year (Plan, Mid year and Outturn).

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any significant weaknesses and have not raised any key recommendations.



Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Leadership, decision making and committee effectiveness

The Council operates a Leader and Cabinet form of executive arrangements. In addition, there are four scrutiny committees which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated, and was last reviewed in December 2020. Relevant information is provided to decision makers before major decisions are made to ensure there is appropriate challenge. For example the MTFs document is very detailed and clearly sets out the decisions required and provides detailed explanations for the financial forecasts.

Scrutiny is focussed on the Council's performance against the Council's vision, which was updated in 2022, and there is a link between performance and finance.

The Annual Governance Statement should be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution is shared with all staff members on joining and is openly available on the Council's website.

Monitoring & assessing risk

The Council has a Corporate Risk Register which rates risks within the them a risk score and RAG (Red, Amber, Green) rating. There is also a direction of travel table which shows the change in the risk since it was originally identified, what

it is now and what the target is. All risks are assigned an owner and mitigating actions are included to indicate ongoing work on each risk. Risks are reported quarterly to the Audit and Governance Committee (AGC). The 2022/23 Q4 risk register went to the AGC in June 2023. In addition to reporting the risks in the detailed risk register there were the longer term more strategic risks. Specific Public sector strategic risks were also reported separately as part of the reporting pack. There is also an operational risk champions group which meets quarterly to share experiences and risk approaches. The operational risk champions group did not meet during quarter 4 instead Heads of Service and their managers were invited to attend Risk Management training which was provided by Zurich.

The training was well attended with 17 officers in March 2023 and 21 officers in April 2023. Head of Service and Managers attending were tasked with reviewing the risks within their own department's risk registers and ensuring that descriptions of risks were specific, meaningful, and that any risk controls measures are clear and 'smart' based on what they learnt during the training session.

As a follow-up from the training sessions risk management workshops were organised in June 2023 for each directorate. The information obtained from these workshops regarding directorates' current and emerging risks has enabled Zurich to independently appraise the current Corporate Risk Register and make recommendations and suggest updates for the Corporate Risk Register for 2023/24.

Governance

Internal Audit

Internal Audit (IA) services for the 2022/23 year were provided in-house via a shared service arrangement with Lichfield District Council. A risk-based approach was taken to establish the IA plan for 2022/23. This took account of the strategic and operational risks relating to quality and safety issues; service delivery and targets; workforce; finance and business, as identified by both management and the AGC, as well as the need to review key financial systems.

The plan is updated throughout the year. The internal audit plan for 2022/23 was approved by the AGC at its meeting in March 2022. The plan was for a total of 18 audits. At the end of quarter 4 2022/2023 IA had completed 89% of the audit plan. The opinion of IA for the council for 2022/23 was:

"On the basis of audit work completed, the Audit Manager's opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been or are in the process of being addressed."

It was noted in our 2021/22 audit that there were 81 actions outstanding at Q4 of 22/23 (there had been 140 in June 2021). Following a meeting with Head of IA and as reported in the IA quarterly progress report in November 2023, we can confirm that this number has reduced to 38 which represents a more than halving of the number at the end of the last financial year. Of the 38 outstanding recommendations, 11 were high priority. This is significant

progress. In reality, there are always likely to be some outstanding issues given reports are issued quarterly so there will always be recommendations being acted on. A total 38 actions outstanding is not an unreasonable number to be outstanding at any one time. The Head of IA has also confirmed it remains a key target of the service to minimise these outstanding actions and the direction of travel is positive in this respect.

An external assessment was undertaken in December 2022/January 2023 in line with the Public Sector internal Audit Standards. The conclusion of the report was:

"The Internal Audit Shared Service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards."

Monitoring and ensuring appropriate standards

The Council has arrangements in place to monitor compliance with legislation and regulatory standards. The arrangements include the oversight of the Monitoring Officer, and the work of internal audit.

The Annual Governance Statement is compliant with the CIPFA Code. It was reviewed and approved by the AGC in June 2023. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

The Council has a Counter-Fraud and Counter Corruption Policy, as well as a Whistleblowing Policy, Code of Conduct and Anti-Money Laundering Guidance. These document the policies and procedures of the Council, as well as the ethical behaviours expected of staff.

A Register of Interests is maintained, and there is a standing item on all meetings of the boards and panels to disclose any interests relating to matters on the agenda. There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established anti-fraud culture. We identified in the previous year, that the Council could disclose gifts or hospitality which had been declined. This has been reviewed and included in the recent review of the constitution by the Monitoring Officer.

We have not been made aware of any significant non-compliance with the Council's governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

Audit committee effectiveness

The purpose of the AGC is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the Council. The Committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. We recognise that since the May 2023 elections the make-up of the Committee has changed. We make these comments irrespective of specific make-up and rather of the AGC in theory. There are no statutory requirements that determine the composition of the AGC.

Governance

The AGC at Tamworth Borough Council comprises seven members. CIPFA's recommendation in *Audit, Standards & Governance Committees: Practical Guidance for Local Authorities and Police (2022)* is authorities should strive to have no more than eight members, the Council is therefore following the recommendation.

CIPFA guidance emphasises the importance of the separation of executive roles and the membership of the Audit, Standards & Governance Committee. Where an authority has a cabinet system of governance, as at Tamworth Borough Council, including a member of the cabinet on the committee is discouraged. We have compared the membership of the Audit, Standards & Governance Committee with the members of the Cabinet to ensure a clear separation. We can confirm that no members of the Cabinet are also members of the AGC, in line with the guidance.

There are currently no independent members on Tamworth Borough Council's AGC. CIPFA guidance and the Redmond Review (2020) recommend the committee includes two co-opted independent members. We note that the Council is in the process of trying to recruit an independent member though are finding it difficult to attract candidates in the current market.

To discharge its responsibilities effectively, CIPFA guidance recommends the committee meet at least four times a year. The Council's AGC met seven times in 2022/23 and has already met six times in 2023/24. While the AGC has met regularly we noted that attendance in 2022/23 was rarely above 4 of the 7 members. This has improved in 2023/24 but

we raise an improvement recommendation (see [improvement recommendation 1](#)) about AGC attendance.

Conclusion

Overall, we are satisfied the Council has appropriate governance arrangements in place. We have not identified any significant weaknesses and have not raised any key recommendations. We have raised 1 improvement recommendation as a result of our review.



Improvement recommendations

Improvement Recommendation 1

The Council should ensure it has good attendance (ie. At least 6 of the 7 members) at its audit and governance committee meetings.

Summary findings

During 2022/23 there were often only 4 out of 7 Audit and governance committee members present at meetings. This has improved in 2023/24 but given the restricted number of meetings it is important that attendance is good.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

The attendance at audit and governance committee meetings has significantly improved since 2022/23 and the Council continues to support Members to maintain good attendance levels.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Working in partnership

The Council works in partnership with a relatively large number of organisations, contributing effectively to the arrangements and agenda for each partnership or group. For example, the Council's waste service is delivered as part of a joint operation with Lichfield District Council. The Council has good relationships with the Voluntary and Community Sector, and joint projects were delivered during the Covid-19 pandemic. There are good examples of Tamworth using partnership working such as the following shared services with Lichfield District Council:

- Waste service
- Health & Safety
- Internal Audit

In addition, the Council's External CCTV is managed by West Midlands Combined Authority.

A key partnership in year is the Future High Street Fund (FHSF) project, this includes a lot of close working with South Staffordshire College in order to deliver the project. The project involves the relocation of the college to a central site in Tamworth. It is currently on track to deliver by the end of 2024. The Council and College have a programme board which meets monthly to discuss progress as well as a project manager who is overseeing the project.

The Council has recently (June 2023) updated its guidance on partnership working via its 'Partnership Guidance Policy and Toolkit' which is designed to help the Council work with its partners to ensure that all partnerships have good systems of governance. The toolkit is designed to ensure that:

- The Council is clear about its purpose and can clearly define its expected outcomes for the people of Tamworth when entering into partnerships;
- The Council's own agreed priorities and objectives are being met;
- There is clarity about accountability and responsibility for outcomes;
- Partnership activity and outcomes are monitored, reviewed and evaluated;
- Risks for the Council and for the Partnership are assessed and agreed;
- Each Partnership has a clear focus during its lifetime and has in place an effective exit strategy;
- Partnerships are empowered and their legal status understood;
- Reviews are undertaken to evaluate success and promote progression and improved effectiveness.

Services which are involved with partners are required to maintain a Partnership Plan which is reported quarterly to the CSC. The plan explains the purpose of the partnership, how it is governed (ie. by the Community Safety Partnership Board), what their priorities are and how they plan to deliver them, what they have achieved to date and what their targets are moving forward.

Improving economy, efficiency and effectiveness

Procurement

Robust and compliant procurement is key in delivering public services as organisations need to meet statutory obligations and deliver value for money for taxpayers. In 2019, the Council moved away from having a formal procurement strategy. We have discussed with the Council how they ensure they are following the recommendations set out in the LGA national procurement strategy and we are satisfied the Council has adequate processes and controls in place to meet these. For example, the procurement team has now integrated its procurement pipeline with its contracts register to ensure the contracts register is complete. The updated version of the Contracts Register is included on the council's website. The Council monitors the performance of procurement through monthly reports to the Corporate Management Team.

The Council's procurement arrangements are established in its Procurement Regulations which form part of the Financial Guidance. Each procurement project is considered on an individual basis, and lower risk higher value projects can be treated under the 'quick quote' process as opposed to Tender exercise. Quick quote allows procurements between £5k and £100k to be let. The Procurement Team are notified of all procurements over £5,000 to consider the appropriate approach to follow. To be exempt from the requirements of the Procurement Regulations, a waiver form must be completed and approved by the Executive Director of Finance or the Assistant Director of Finance. We noted that while the tender waiver process is in place there is no regular reporting of tender waivers to the AGC. We include an improvement recommendation (see [improvement recommendation 2](#)) to address this.

We note that the Council has acted on our recommendation in the 2021/22 audit report and have now introduced a procurement pipeline which is linked to the contracts

register using a common system to manage both.

We note too that Internal Audit reviewed the procurement service in 2022/23 (report issued in November 2023) and their conclusion was that:

"Taking account of the issues identified and the recommendations contained within the Action Plan at Section 3, in our opinion the Audit and Governance Committee can take Reasonable Assurance that the controls upon which the organisation relies to manage risks material to the achievement of the organisation's objectives are suitably designed and effective."

Ankerside shopping centre

The Council has an investment in a shopping centre in the town centre. We reported in 2021/22 that the risk profile of this investment has increased over the past year due to the change in ownership of the lessee and we note that the council is currently taking legal advice about the future of this investment. It is not appropriate at this stage to comment further on the issue but we note that the Council has the correct governance arrangements in place to deal with the issue and is taking advice from the appropriate experts.

Future High Street Fund

The Future High Street Fund (FHSF) is the Council's flagship capital project and is a 3-year project which started in 2021. Funding of £21.5m was allocated to the Council and South Staffordshire college, a key partner of the Council. The project comprises the following main elements:

- College Quarter redevelopment (£10.5m)- relocation of South Staffordshire college to a more central location in Tamworth as well as the refurbishment of Victorian buildings to turn them into an Enterprise centre and the

demolishing of the old Co-op department store building

- Middle Entry (£1.5m) – purchase of a 1980s shopping centre to demolish and rebuild it as a modern flexible workspace.
- St Edithas square (£800k) – refurbishment of a market square
- Castle gateway (£2.5m) – refurbishment of Peel café, moving nationwide building society into the same block and demolishing the old nationwide building, refurbishing a number of old properties and widening a bridge.

As with many capital projects over the past 2 years there have been real challenges in terms of costs and government funding. Government funding needs to be 'committed to be spent' by the end of March 2024. This means that spend can take place in the 2024/25 financial year but it needs to have been agreed and committed ahead of the start of the financial year.

The projects above have all, except for the Middle Entry project, been managed to meet this timetable and will be completed before the end of 2024. The Middle Entry project suffered significant budgetary challenges due to escalating costs which ended up making the project in its original guise unworkable for the budget allocated. The decision not to proceed with the middle entry project was approved by Council on the 27 February 2024. There is still some work ongoing under the project, namely new build properties.

A programme board has been in place to manage the various elements and they have reported quarterly to the Infrastructure & Growth Committee as well as Cabinet and the Corporate Scrutiny committee. Risks are reported regularly to the programme board via the programme dashboard.

Improving economy, efficiency and effectiveness

UK Shared Prosperity Fund

The UK Shared Prosperity Fund (SPF) is part of the wider Levelling Up agenda and aims to deliver significant support for all areas of the UK. It seeks to invest in domestic priorities and targeting funding where it is most needed. Tamworth Borough Council has been defined as a lead authority and will be directly accountable for setting up the fund framework; commissioning and awarding projects; ensuring programme delivery; ensuring spend is on target and conducting monitoring and evaluation of the whole programme. The Council received a direct allocation of £2.33m (plus £20,000 capacity funding) to run the programme over three financial years over, starting from April 2022, up until the end of March 2025. Most of the funding is due to be spent in years 2 and 3 of the programme.

A Local Partnership Board has been established comprising a number of the key stakeholders with Tamworth being the lead authority and this will oversee the work and report back periodically to the Department for Levelling Up, Housing & Communities (DLUHC).

At this early stage we are content that the governance arrangements are appropriate.

Performance monitoring

The Council's quarterly performance report includes a significant amount of detail in relation to the financial performance of the Council. It aligns with the Council's corporate plan and it is shared with CSC and Cabinet on a quarterly basis. Our assessment of this update is that it is appropriate.

Key Performance Indicators (KPIs) for Council Housing and

the benefits service are reported on the performance page of the Council's website and included within the quarterly performance reports to Cabinet. The Council changed to this method of reporting in 2019 in order to streamline the level of KPIs reported to Cabinet. KPIs are also reported as part of the individual service plans.

We made two improvement recommendations to the Council in our 2021/22 audit report:

1. Updating the website for performance information.
2. Improving the quality of service plans where we felt performance indicator information was deficient

The first has been done as we report above. Following conversations with the Performance team it appears that slow progress has been made with the second recommendation.

This is mainly due to a 'single point of failure' as one key member of staff, who had most of the knowledge about this area, unfortunately died during the year. This meant that knowledge of the performance area was limited and new staff had to learn from scratch. In addition, there are also new requirements from the Office for Local Government (OFLOG) which is requiring reporting on a number of new metrics. Consequently, the Performance team are in the process of working through these requirements in conjunction with Service managers meaning that progress on improving the quality of service plans is delayed.

We therefore repeat the 2021/22 audit recommendations in this area in this year's audit report and urge the Council to improve the quality of the service plans (including performance information) [See improvement recommendation 3].

Benchmarking

It was identified in the 2021/22 audit report that the Council does not consistently use external benchmarking as a tool to measure performance and identify improvement opportunities, and an improvement recommendation was raised. The Council subsequently purchased some external benchmarking from LG Futures but due to capacity constraints in the Finance team they have not had the opportunity to carry out any analysis. We raise an improvement recommendation [see improvement recommendation 4] to encourage the council to make use of the benchmarking data as this could help the Council to understand performance as well as identify areas of spend to analyse which could lead to efficiencies.

It should be noted that as of November 2023, Tamworth's revenue outturn had not been published for 2022/23 by the Department of Levelling Up, Housing and Communities due to late or non-submission by the Council. Non- or late completion of statutory data returns will hinder the Council's ability to make best use of publicly available datasets for benchmarking.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses and have not raised any key recommendations. We have raised 3 improvement recommendations as a result of our review.

Improvement recommendations

Improvement Recommendation 2

The Council should report on the number and value of waivers to Audit, Standards & Governance quarterly.

Summary findings

At present, the procurement team does not report on waivers to committee level. This can ensure that senior leadership are aware of the level of waiver use.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Accepted.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3

We repeat the recommendation of the past two audits in relation to service plans. The service plans provided by the Council in many cases did not include KPIs which could be monitored and showed as nil values. In addition, some service plans did not provide updates on progress of the actions required identified in the report.

Summary findings

Service plans with missing or out of date information are not a useful tool for their intended purpose, and could lead to important information or risks being obscured. It does not appear that much progress has been made in the past 6 months since we last reported

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Work on the inclusion of KPIs within Service Plans is well underway for 2024/25.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 4

The council should make use of the LG Futures benchmarking data they have purchased and use this to support their review of service costs in future budgeting exercises

Summary findings

It was identified in the previous year that the Council does not consistently use external benchmarking as a tool to measure performance and identify improvement opportunities. We had previously raised an improvement recommendation in this area, and consequently the Council purchased some external benchmarking from LG Futures. The Council has received this data but has not yet had the capacity within the Finance team to be able to use it "in anger". Used properly, this data could be a useful tool to help the Council identify areas of spend for further analysis and consequently help in identifying cost efficiencies where these are required.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

The LG Futures benchmarking data has been purchased previously but was not received on a timely basis and were limited to areas which were difficult and time consuming to make meaningful comparisons. The Council has also used CIPFA benchmarking tools in the past, but a lack of consistency in the capture of information across different councils made meaningful comparisons difficult to make and the exercise was considered to be of little benefit. The Council continues to look at alternative benchmarking opportunities.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council needs to identify what comes next now that the reset and recovery programme has ended. There are challenges in relation to the financial position in future years and a development of the Reset and Recovery programme will help to stabilise the financial position.	Improvement	June 2023	The Medium Term Financial Strategy projections are updated on a quarterly basis and reported to CMT and Corporate Scrutiny Committee, followed by approval at Cabinet, as part of the Quarterly Performance report. The development of savings plans to address the updated forecast financial position will be considered as part of the budget setting process for 2024/25.	Yes	No
2 The Council should make sure that savings plans are clearly broken down and communicated to members. This should include information explaining the saving plan, the amount it is expected to save, whether the planned savings are recurrent or not, progress to date and a completion timeline.	Improvement	June 2023	A summary of the progress in delivering the planned savings will be reported on a quarterly basis to CMT and Corporate Scrutiny Committee, followed by approval at Cabinet, as part of the Quarterly Performance report.	Yes	No
3 At March 2022, there were 93 recommendations from IA outstanding, of these, 24 were high priority. It is recommended that the Council work to action these recommendations and reduce the level outstanding.	Improvement	June 2023	Significant progress has been made in reducing the number of outstanding audit recommendations in recent years. As at 31st December 2022, there were 13 high priority recommendations outstanding. Progress in resolving outstanding audit recommendations is reviewed by the Audit Manager and respective Assistant Director on a quarterly basis to inform the Quarterly Internal Audit Progress report – as reported to CMT and Audit and Governance Committee on a quarterly basis.	Yes	No
4 The Council should ensure they have a procurement pipeline in place which will allow them to proactively monitor their contracts.	Improvement	June 2023	The procurement team has now developed a procurement pipeline which is integrated with the contracts register in the Council's Pentana system	Yes	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Council's performance page of the website should be kept up to date with details of the Council's quarterly performance	Improvement	June 2023	As soon as management were aware of the issue, the website was updated immediately with the latest quarterly performance information, which is also available with the relevant Committee agenda.	Yes	No
6 The service plans provided by the Council in many cases did not include KPIs which could be monitored and showed as nil values. In addition, some service plans did not provide updates on progress of the actions required identified in the report.	Improvement	June 2023	A comprehensive review of all service plans was carried out in 2022 in line with the new Corporate Plan and new service plans with associated key performance indicators being developed. These should be updated on a monthly basis and it is planned will be reported to members on a quarterly basis within the Quarterly Performance report (as reported to CMT, Corporate Scrutiny Committee and Cabinet quarterly). A number of service plans are clearly managed well and up to date but it has been recognised that a number of service plans require bringing up to date prior to the first quarterly report for 2023/24.	No	Recommendation has been carried forward to 2022-23 audit recommendations
7 The Council should ensure that it understands why its KPIs differ from those of contractors where relevant.	Improvement	June 2023	The Council understands why its KPIs differ from those of the contractors where relevant. There will be an element of discrepancy depending on when the data was extracted as the system updates data transfer on a regular basis but the main reason will be that the contractor includes an exceptions tab in their report whereby they take some jobs out of the statistics where they consider the completion times to have been outside of their control.	Yes	No

Opinion on the financial statements



Audit opinion on the financial statements

We intend to give an unqualified opinion on the Council's financial statements on 24 April 2024.

Audit Findings Report

More detailed findings can be found in our AFR, which will be published and reported to the Council's Audit and Governance Committee on 24 April 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work did not identify any issues.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not issue any statutory recommendations

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the court under Section 28 of the Local Audit and Accountability Act 2014

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a Judicial review

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

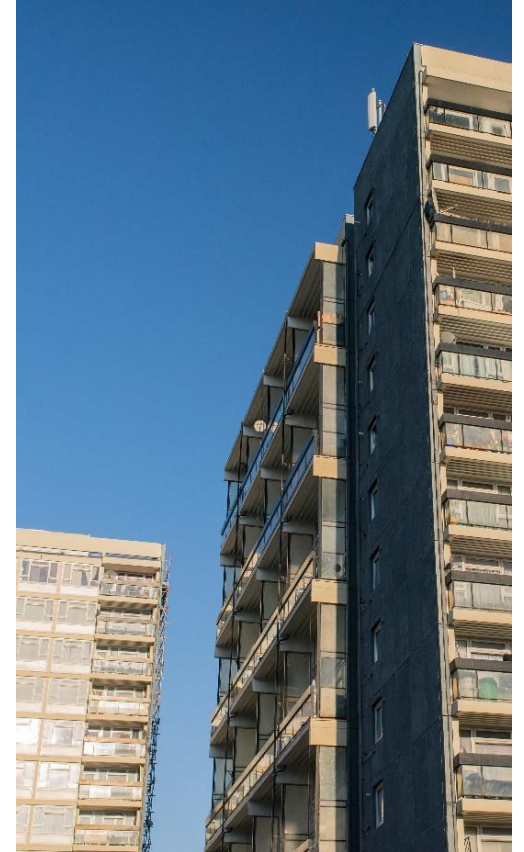
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 13, 17-19



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The Audit Findings for Tamworth Borough Council

Year ended 31 March 2023



Contents



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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 and the Audit and Governance Committee.

Laurelin Griffiths
For Grant Thornton UK LLP
24 April 2024

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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tamworth Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of 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 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.

Our audit work has been substantially completed during July - August. Our findings are summarised on pages 6 to 19. We have identified some errors in the financial statements which have been adjusted. These have been set out on pages 28 & 29. We have also identified some errors in the financial statements which have not been adjusted, these are detailed in Appendix D. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- receipt of signed management representation letter; and
- review of the final, signed set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR) which is also presented to this committee. There are no findings which have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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 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 all of our VFM work and our Auditor's Annual Report is being presented to this committee.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness. Though we have identified some improvement recommendations these do not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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 upon the completion of our work after the Audit and Governance committee on the 24 April 2024.

Significant matters

There have been changes to the finance team over the last year which have led to some difficulty in receiving responses to our queries in a timely manner or evidence which is sufficient for our audit purposes. This has meant that the audit had not progressed as quickly as we had anticipated.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Tamworth Borough Council's borrowings have remained consistent over recent years.

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 and the Audit and Governance Committee.

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

Audit approach

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

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

We have not had to alter our audit plan, which was communicated to you on the 27 June 2023.

Conclusion

We have substantially completed our audit of your financial statements. Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR) which is also presented to this committee. There are no findings which have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Acknowledgements

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

We have faced challenges in completing our audit again this year, including: evidence supplied not being sufficient for audit purposes requiring the team to spend longer on substantive testing; and queries in relation to property, plant and equipment valuations where significant errors have been identified.

This resulted in us having to spend longer than anticipated on certain audit tests, as summarized within appendix D to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

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.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Tamworth Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,250,000	Gross expenditure increased between the prior year and current year. Whilst the materiality value has increased, we have reduced the percentage applied to c.1.8%.
Performance materiality	875,000	There have been changes to the finance team in year which we have considered when setting our performance materiality.
Trivial matters	62,500	This is 5% of the materiality value set above.
Materiality for senior officers' remuneration	10,000	This disclosure is likely to be of interest to the public, and therefore we set a lower materiality to detect errors to a higher precision.

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 the risk of management over-ride 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, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested high risk unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our detailed testing of journals and accounting policies is complete. We have not identified any issues from our work at this time.</p> <p>Our review of significant estimates in the financial statements has identified a small number of matters which are reported on in more detail later in this report. These matters include an error on the valuation of garages within property, plant and equipment. The Council have not adjusted for this and this is reported within Appendix D.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Risk of fraud in revenue recognition and expenditure (Rebutted)

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

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

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

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Tamworth Borough Council mean that all forms of fraud are seen as unacceptable.

Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income.

Having considered the risk of improper recognition of expenditure at Tamworth Borough Council we are satisfied that this is not a significant risk for the same reasons set out above.

Commentary

Notwithstanding that we have rebutted this risk, we have still undertaken a significant level of work on the Council's revenue streams, as they are material. We have:

Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code
- Updated our understanding of the Council's business processes associated with accounting for income

Fees, charges and other service income

- Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence.

Taxation and non-specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we have conducted substantive analytical procedures
- For other grants we have sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.

Expenditure

- Updated our understanding of the Council's business processes associated with accounting for expenditure
- Agreed, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence

We have also tested a sample of post year end invoices raised, invoices received, payments made, and payments received in order to test whether items have been accounted for in the correct financial year

We have identified one issue in relation to invoices received post year end which the Council cannot evidence have been accrued for in 2022/23. This related to an invoice from Equans for the value of £40k. Whilst a year end accrual was estimated and raised based on jobs completed but unpaid at year end, it is not possible to directly trace back this invoice to prove it has been accrued for, we are therefore treating this as an error. We have tested 6 similar transactions as part of this test and are satisfied the error can be isolated due to the nature of how the accrual is calculated. The expected error is £110k. This has been included within Appendix D.

We also identified two further errors in relation to income and expenditure completeness however the impact of these is trivial and therefore no further action has been taken.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of council dwellings, other land and buildings and investment property

Revaluation of council dwellings, other land and buildings and investment property should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We reported to you in our audit plan that we would pinpoint the risk once the draft financial statements had been published and our final accounts audit had begun. We concluded that significant risk assets were those where the movement in valuation was outside of our expectation when compared to market data.

Commentary

We have:

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

Council Dwellings

We have completed our work in relation to the valuation of council dwellings. We have not identified any issues in relation to the valuation of council dwellings.

Other Land and Buildings

We have completed our work in relation to the valuation of other land and buildings. We have identified two errors. Firstly, the valuer had incorrectly split the valuations of a number of land and buildings to the wrong asset code. This has meant that the valuation of the building element of the asset has been entered onto the land code and vice versa. This has led to an error in the revaluation reserve of £63k. The second error is in relation to the valuation of land of garages. The value had been overstated by £565k as the valuer had counted the land element of the valuation twice.

Investment properties

Our work on this area is complete. We have not identified any issues in relation to the valuation of investment properties, however, we have identified that £68k of rental income relating to other land and buildings properties has been incorrectly classified as investment property income. Management are not proposing to adjust for this error.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net asset

The Council's pension fund net asset, as reflected in its balance sheet as Other Long-Term Assets, represents a significant estimate in the financial statements.

The pension fund net assets is considered a significant estimate due to the size of the numbers involved (£1m in the Council's balance sheet) 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). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

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 asset.

We have 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 Council's pension fund net asset as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net asset is not materially misstated and evaluate 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 asset;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Staffordshire 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.
- obtained assurances from the auditor of Staffordshire 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.

We have now completed our work in relation to the net pension asset included within the draft financial statements. The CIPFA Code states under paragraph 6.4.3.27 that an authority is required to measure the net defined benefit asset at the lower of:

- The surplus in the defined benefit plan, and
- The asset ceiling, determined using the discount rate specified in paragraph 6.4.3.8 of the Code.

We have reviewed the asset ceiling calculation produced by the actuary and an adjustment has been made to reflect the liability, due to the asset ceiling, of £6.8m. No further issues have been identified in relation to the net defined benefit pension liability.

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	Assessment
Land and Building valuations – £23m	<p>Other land and buildings comprises £6.7m of specialised assets such as community halls and cultural buildings, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£16.3m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Jones Lang LaSalle (JLL) to complete the valuation of properties as at 31 March 2023. 100% of total assets were revalued during 2022/23.</p> <p>The total year end valuation of land and buildings was £23m, a net decrease, as a result of the revaluations, of £0.3m from 2021/22.</p>	<ul style="list-style-type: none"> We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate, but this work is still ongoing. We have no concerns over the competence, capabilities and objectivity of the valuation experts used by the Council. We have assessed the consistency and reasonableness of the valuer's methods and assumptions; we have not identified any issues; and We have considered the movements in the valuations of individual assets and their consistency with indices provided by Montagu Evans as our auditor's expert. <p>Our findings are detailed on page 10.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £22m	<p>The Council has engaged JLL to complete the valuation of properties as at 31 March 2023. 100% of total assets were revalued during 2022/23.</p> <p>The total year end valuation of investment property was £22.4m, a net decrease, as a result of revaluations, of £3.1m from 2021/22 (£25.5m).</p>	<p>We have:</p> <ul style="list-style-type: none"> tested a sample of investment property valuations, focusing our sample on assets which are outside of our expectation or that have had a large movement in assumptions compared to 2021/22; considered the movements in the valuations of individual assets and their consistency with indices provided by Montagu Evans as our auditor's expert; and no concerns over the competence, capabilities and objectivity of the valuation experts used by the Council. <p>We have not identified any errors in relation to the valuation of investment property.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Land and Buildings – Council Housing - £243m	<p>The Council owns 4,305 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged JLL to complete the valuation of these properties. The year end valuation of Council Housing was £243m, a net decrease, as a result of revaluations, of £7.5m from 2021/22.</p>	<ul style="list-style-type: none"> We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. There have been no changes to the valuation method this year. We have considered the movements in the valuations of individual assets and their consistency with indices provided by Montagu Evans as our auditor's expert. Disclosure of the estimate in the financial statements is considered adequate. <p>We have not identified any errors in relation to the valuation of council housing.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p>Net pension asset – £1m</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Council's net pension asset at 31 March 2023 is £1m (PY – liability of £32.3m) comprising the Staffordshire Pension Fund Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>A full actuarial valuation was completed in 2022/23. Given the significant value of the net pension fund asset, small changes in assumptions can result in significant valuation movements. There has been a £37m net actuarial gain during 2022/23.</p>	<ul style="list-style-type: none"> We have no concerns over the assessment of management's expert We have no concerns over the assessment of the actuary's approach taken We have used PwC as auditors expert to assess assumptions made by the actuary – see table below for comparison made We have confirmed that the Council's share of LGPS pension assets is in line with expectations We have confirmed that the disclosure of the estimate in the financial statements is considered adequate. <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.00%</td> <td>2.85% - 3.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.5%</td> <td>3.45% - 5.45%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.1/21.9</td> <td>NA</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>24.1/26.0</td> <td>NA</td> <td>●</td> </tr> </tbody> </table> <p>PwC have not provided ranges for the mortality assumptions of Hymans Robertson as the actuary uses individual employer level life expectancies. PwC have confirmed that the methodology used is reasonable.</p> <p>We have now completed our work on the net pension asset, which has resulted in an adjustment to the accounts. Our findings are detailed on page 11.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	3.00%	2.85% - 3.00%	●	Salary growth	3.5%	3.45% - 5.45%	●	Life expectancy – Males currently aged 45/65	21.1/21.9	NA	●	Life expectancy – Females currently aged 45/65	24.1/26.0	NA	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.75%	4.75%	●																								
Pension increase rate	3.00%	2.85% - 3.00%	●																								
Salary growth	3.5%	3.45% - 5.45%	●																								
Life expectancy – Males currently aged 45/65	21.1/21.9	NA	●																								
Life expectancy – Females currently aged 45/65	24.1/26.0	NA	●																								

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £1.8m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management use historic data relating to appeal success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required.	<ul style="list-style-type: none"> We have not identified any issues with the completeness and accuracy of the underlying information used to determine the estimate. We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. Disclosure of the estimate in the financial statements is considered adequate. There have been no changes to the overall calculation method this year but see below for a change related to a specific item. <p>No issues have been identified.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
E-financials	ITGC assessment (design effectiveness only)	●	●	●	●	Management override of controls

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Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

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 and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
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.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's counterparties. This permission was granted and the requests were sent. Where responses were not received, we undertook alternative procedures to confirm balances with no issues noted.

2. Financial Statements: other communication requirements



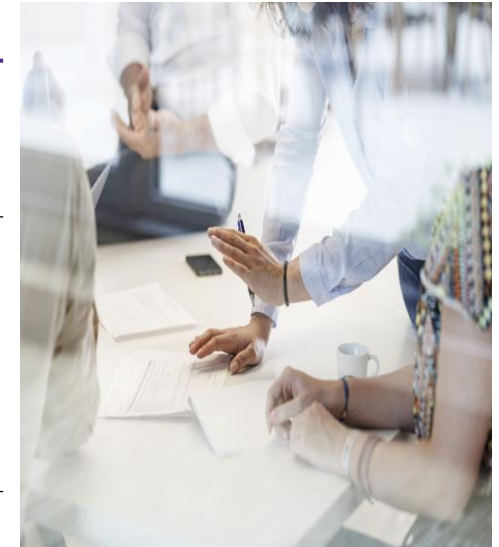
Our responsibility

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>On the basis of this work, we have obtained 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>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</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. <p>We have nothing to report on these matters at the time of writing this report</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 not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of Tamworth Borough Council following the Audit and Governance committee on 24 April 2024.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

We have completed all of our VFM work and our Auditor's Annual Report is being presented to this committee.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness. Though we have identified some improvement recommendations these do not have a material effect on our opinion on the financial statements for the year ended 31 March 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 audit related services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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 [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit subsidy certification 2021/22 (May 2022 – January 2023)	16,000	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 	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.
Certification of Pooling of Housing Capital Receipts 2021/22 (January 2023)	6,000		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.
Housing Benefit subsidy certification 2022/23 (May 2023 – January 2024)	18,800		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.
Certification of Pooling of Housing Capital Receipts 2022/23 (September 2023 – October 2023)	7,500		
There were no non-audit related services			

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the investments held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's Audit and Governance Committee, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Follow up of prior year recommendations
- C. Audit recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

A. Communication of audit matters to those charged with governance

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 including significant risks	•	
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	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Tamworth Borough Council's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>We have identified a deficiency regarding the review of security logs. The Council do not review security logs on all of their systems due to the number and size of the logs.</p> <p>The Council received updates regarding potential threats from their various cyber security information sources such as NCSC and West Midlands Police and where relevant would review specific logs in response, but they do not review generally on a periodic basis.</p>	<p>The Council should review security logs on a periodic basis.</p> <p>Management response</p> <p>Due to the number of threats, it is not currently practical or possible to resource a manual review of all security logs unless there's a specific reason i.e. in response to a known threat or alert from our cyber security information sources. In mitigation we have various services which alert us to known cyber threats, we also proactively scan our network for vulnerabilities and patch our systems regularly.</p> <p>However, this issue has been recognised and an assessment is underway on the options for a cost effective Security Incident and Event Management system (SIEM) which automates reviewing of security logs for key infrastructure.</p>
✓	<p>We have identified that the Council have several assets within their asset register which are held at a nil net book value. The gross book value of these assets is £3.6m and whilst there is no impact on the balance sheet, this does inflate the gross book value and accumulated depreciation in note 14.</p> <p>From the work that we have performed we have assurance that these assets are not materially misstating the financial statements. However, a significant balance of assets being held at nil net book value may indicate that these assets were depreciated prematurely.</p>	<p>The Council has conducted a review of the assets which had a nil net book value and disposed of these where appropriate. We are satisfied this item is now closed.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Tamworth Borough Council are part of a joint waste service with Lichfield District Council. The Council's share of the assets and liabilities is 41.7% however management have previously assessed that these do not need to be included within the Council's financial position.</p> <p>Our view is that, in line with the Council's accounting policy for 'Joint Operations', the Council should be recognising its share of these assets and liabilities, as it does with its share of the income and expenditure.</p> <p>The total net book value of the assets in question is £nil and the total lease liability is immaterial, so we are satisfied that this does not lead to a material misstatement in the Council's balance sheet.</p>	<p>It has been agreed that as the impact on the balance sheet is not material that the Council would not adjust for this error.</p> <p>When the arrangement is renewed it is expected to be material to the financial statements, and the Council's assessment of the appropriate accounting treatment will need to be revisited at this point.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit recommendations

We identified the following issues in the audit of Tamworth Borough Council's 2022/23 financial statements. These are set out in the table below

Assessment	Issue and risk previously communicated	Management response
X	During our payroll testing, we selected some casual workers. Management confirmed that they do not hold resignation or termination letters for casual staff. It is recommended that these records are maintained.	Agreed

Assessment

- ✓ Action completed
- X Not yet addressed

D. 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.

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The disclosure within note 2 of the Housing Revenue Account is overstated by £24k.	Whilst this is a trivial difference, management have opted to adjust for this.	Yes
Note 18 includes a reduction in debtors for invoices raised in advance for 2022/23. This line should not be included separately within debtors.	<p>Management should remove the debits and credits relating to these items.</p> <p>Management response</p> <p>Management have determined that they are not going to adjust for this matter as they feel it accurately reflects the position with regard to debtors and adds additional information which is useful to the user.</p>	No
Note 19 does not correctly present the cash balances of the Council due to reserve account balance being netted off with the current account balances	The financial statements should be updated to accurately reflect the cash position of the Council.	Yes
Within the related party disclosure note there is a difference in other income amount.	The financial statements should be updated to accurately reflect the other income attributed to the related party.	Yes
Cash Flow Statement and Supporting Notes - some differences have been noted when reconciling figures per the Cash Flow Statements and supporting Notes to other Notes within the Draft Accounts.	The financial statements should be updated to ensure they are consistent throughout.	Yes
The audit fees do not reconcile to those presented in the audit plan	The financial statements should be updated to reflect the correct audit fee.	Yes
We have identified various trivial presentation matters.	These items include changes to; references, prior year values to remain consistent with the audited financial statements of the prior year and removal of rows within the financial statements which were not necessary.	Yes
Infrastructure assets are included within Note 14. Per the updated guidance from CIPFA, these should be presented on a net basis as opposed to a gross basis.	<p>Management should remove infrastructure from Note 14 and include within its own note.</p> <p>Management response</p> <p>Management have determined that they are not going to adjust for this matter as the value is £88k and therefore not material.</p>	No

D. Audit Adjustments (continued)

Impact of adjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net cost of services £'000	Impact on general fund £'000
Dr CIES/Unusable Reserves £7,932k	7,932		-	-
Cr Net Pension Asset/Liability £7,932k		(7,932)		
Being the impact of the asset ceiling calculation in relation to the Net Pension Asset.				
Overall impact	7,932	(7,932)	-	-

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net cost of services £'000	Impact on general fund £'000	Reason for not adjusting
Dr Revaluation Reserve £63k Cr Capital Adjustment Account £63k Being incorrect treatment of Housing revaluations in the Other Land and Buildings category.	-	63 (63)	-	-	Impact is not material
Dr VPFE – Accumulated Depreciation £250k Cr VPFE – Cost £250k Being assets held with a nil net book value that should have been disposed of by the Council.	-	250 (250)	-	-	Impact is not material
Dr Debtors £168k Cr Creditors £168k Being creditors understated for amounts received in advance for invoices raised prior to year-end.	-	168 (168)	-	-	Impact is not material
Dr Investment Property Income £68k Cr General Fund Housing Income £68k Being rental income from OLB housing incorrectly treated as Investment Property income.	68 (68)	-	(68)	-	Impact is not material

D. Audit Adjustments (continued)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net cost of services £'000	Impact on general fund £'000	Reason for not adjusting
Dr Revaluation Entries £565k Cr Other Land and Buildings £565k Being overstatement of the valuation of garage land as this was double counted by the valuer.	-	565 (565)	-	-	Impact is not material
Dr Other Expenditure £110k Cr Creditors £110k Being the under-accrual of expenditure. This has been identified through our completeness testing.	110	(110)	£110		Impact has been extrapolated and is not material
Overall impact	£110	(£675)	£42	£-	

D. 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 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on Cost of Services £'000	Reason for not adjusting
Joint waste arrangements Liabilities of the joint waste arrangement are not shown on Tamworth Borough Council's balance sheet.	143	(143)	143	Impact is not material
Assets not revalued The Council uses a rolling programme for revaluing its property, plant and equipment. There have been £732k of assets not revalued in year which if they were revalued would increase in value by £224k.	(224)	224		Impact is not material
Opening balances incorrect We have identified that the revaluation reserve and the capital adjustment account opening balances are misstated by £373k. The closing balances are correct in the financial statements	-	373 (373)		Impact is not material
Overall impact	(81)	81	143	

E. Fees and non-audit services

We confirm below our proposed fees for the audit, subject to PSAA approval.

Audit fees	Proposed fee
Scale fee 2022/23	45,876
Additional work on Value for Money (VfM) under new NAO Code	9,000
Increased audit requirements of revised ISAs 540 / 240 / 700	2,100
Enhanced audit procedures on journals testing (not included in scale fee)	3,000
Additional testing in relation to payroll – change in circumstances	500
Additional testing in relation to collection fund reliefs	750
Increased audit requirements of revised ISA 315	3,000
Inefficiencies due to changes in the finance team*	£7,250
Increased audit work in relation to revaluations due to insufficient evidence and errors identified*	£10,500
Increased audit work in relation to the net pension asset and subsequent adjustment to the financial statements*	£7,500
Total audit fees (excluding VAT)	£89,476

*These amounts have not been included within the financial statements as the work arose during the course of the audit and therefore after the point that the accounts were prepared.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee
Audit Related Services	
Housing Benefit subsidy certification 2021/22	16,000
Certification of Pooling of Housing Capital Receipts 2021/22	6,000
Housing Benefit subsidy certification 2022/23	18,800
Certification of Pooling of Housing Capital Receipts 2022/23	7,500
Total non-audit fees (excluding VAT)	£48,300

Only the 2022/23 fees in the table above are included within the 2022/23 financial statements. The fees therefore reconcile to the financial statements.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

