



Tamworth Borough Council

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Audit Findings Report

Year ended 31 March 2024

November 2024



Tamworth Borough Council
Marmion House
Lichfield Street
Tamworth
B79 7BZ

Private & confidential

13 November 2024

Dear Audit Committee Members

Tamworth Borough Council - Audit findings for the year ended 31 March 2024

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK) 260 and the National Audit Office Code of Practice 2020 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures and have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. Under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify. Where, as part of our testing, we identify control weaknesses, we will report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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

Yours sincerley

Laura Hinsley
Key Audit Partner
For and on behalf of Azets Audit Services



This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. 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

This section summarises for Those Charged with Governance the key findings and other matters arising from the statutory audit of Tamworth Borough Council for the year end 31 March 2024.

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2020 ('the Code') we are required to report whether, in our opinion:

- The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

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

Financial statements

Our audit work is nearing completion. To date we have not identified any adjustments to the financial statements which impact your reported financial outturn. We have identified several disclosure amendments which are included in this report. We have raised a number of recommendations for management as a result of our work.

The following matters require completion:

- Response from the Staffordshire Pension Fund auditor
- Auditors write up following queries being resolved by the client;
- Final manager and partner review of the audit file;
- Second partner review of the audit file;
- Final engagement lead 'stand back' review of the file and evidence therein;
- Receipt and review of the management representation letter;
- Receipt and review of the final Statement of Accounts following disclosure changes required;
- Completion of our Whole of Government accounts work;
- Response from management regarding subsequent events up to the date of the audit report.

The audit committee is asked to confirm its agreement to management proposals not to amend the financial statements for the unadjusted misstatements.

Subject to the satisfactory resolution of the above matters, we anticipate issuing an unmodified audit opinion. We have also concluded the other information included in the Statement of Accounts is consistent with our knowledge of the Council and the financial statements we have audited.

Executive summary

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, under the National Audit Office (NAO) Code of Audit Practice (the Code).

Value for money

We have completed our value for money work and our detailed findings will be reported in our Auditor's Annual Report.

We have not identified any significant weaknesses.

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

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

Statutory duties

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

We expect to be able to certify the closure of the audit upon completion of our work on whole of government accounts.

Our audit approach has been based on gaining a thorough understanding of the Council's control environment and has been risk based. This included:

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

We have not altered our audit plan as formally presented to you in November 2023, aside from engaging a second partner review of specific areas of the audit.

Quality indicators

KEY:

RED:

Significant improvement required

AMBER:

Developing

GREEN:

Mature

The following metrics are important in assessing the reliability of your financial reporting and response to the audit

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	Green	<p>Management provided draft accounts to the audit team in line with our expected timeframes. The draft financial statements were complete and upon initial review appeared to be of good quality.</p> <p>We do note that the draft financial statements were published on the Councils website slightly later than the national deadline of the 31 May 2024. However, this was due to late receipt of information from the actuary.</p>
Quality of working papers provided and adherence to timetable	Green	Management provided working papers of good quality and in line with our expectation from a timeframe perspective.
Access to finance team and other key personnel	Green	Management provided timely responses to queries. We spent a number of days on site during the beginning of the audit and management were open to coming into the office if needed.
Quality and timeliness of Narrative Report and Annual Governance Statement	Green	Management provided the draft narrative report and annual governance statement to the audit team in line with the expected timeframes. The draft financial statements were complete and upon initial review appeared to be of good quality.
Volume and magnitude of identified errors	Green	We have noted minimal errors as part of our audit. We have noted a number of control recommendations which are included later in this report.

Materiality

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines:

- **clearly trivial** as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
- **material** as an omission or misstatement that would reasonably influence the users of the financial statements.

The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £1,229k for the Council based on 1.75% of gross expenditure. On production of the financial statements, we reconsidered our materiality determination. We have not updated our materiality as communicated in the Audit Plan.

We have determined that no specific materiality levels need to be set for the Council.

Materiality area	Planning £000	Final £000	Explanation
Overall materiality for the financial statements	1,229	1,229	This is the equivalent of 1.75% of gross revenue expenditure based on the 2023/24 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for Councils as the users of the Council's financial statements are considered to be most interested in where the Council has expended their income during the year.
Performance materiality	798	798	Performance materiality has been set at 65% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	61	61	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

Key audit findings: significant risks

Significant risks at the financial statement level

The table below summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
<p>Management override of controls</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very high</p>	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions. 	<p>Our audit work has not identified any significant issues in respect of this risk.</p> <p>We have however raised a recommendation for the Council to consider in respect of an identified control deficiency in Appendix I.</p>

Key audit findings: significant risks

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
<p>Fraud in revenue recognition and expenditure (rebutted) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to:</p> <ul style="list-style-type: none"> • Little incentive by management to manipulate revenue recognition; and • Limited opportunity to manipulate revenue recognition. <p>We also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:</p> <ul style="list-style-type: none"> • Little incentive by management to manipulate expenditure recognition; and • Limited opportunity to manipulate expenditure recognition. <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Revenue and expenditure recognition: Low 	<p>Whilst we rebutted the risk of fraud in income and expenditure, we performed the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Council’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year. 	<p>Our audit work has not identified any significant issues in respect of this risk.</p> <p>We are satisfied that both revenue and expenditure are materially correct.</p> <p>We have however raised a control recommendation in relation to record keeping of Section 106 grant income in Appendix I.</p>

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Key audit findings: significant risks

Significant risks

Valuation of council dwellings, other land and buildings and investment property (key accounting estimate)

Revaluation of council dwellings, other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.

The council carries out a full revaluation each year and council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates.

Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024.

The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.

This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings, other land and buildings and investment property as a significant risk.

We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.

Inherent risk of material misstatement:

- **Council dwellings, other land and buildings and investment property (valuation): High**

Audit approach

Procedures performed to mitigate risks of material misstatement in this area included:

- Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- Evaluating the competence, capabilities and objectivity of management's valuation expert;
- Considering the basis on which the valuations are carried out and challenging the key assumptions applied;
- Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor's expert;
- For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding;
- Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and
- Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.

Key audit findings: significant risks

Significant risks	Audit findings and conclusion
<p data-bbox="81 344 1082 411">Valuation of council dwellings, other land and buildings and investment property (key accounting estimate)</p> <p data-bbox="81 448 861 479">We have pinpointed the significant risk around the following:</p> <ul data-bbox="81 516 1082 825" style="list-style-type: none">- Assets where the valuation movement differs to what we would expect based on market movements;- Assets where the inputs used have changed compared to those used in the prior year;- Assets where valuation basis has changed compared to those used in the prior year;- Assets that are new this year; and- Any other factors which, in our auditor judgement, increases the risk of material misstatement of an asset.	<p data-bbox="1116 344 2104 375">Our audit work has not identified any significant issues in respect of this risk.</p> <p data-bbox="1116 412 2354 479">We are satisfied that the valuation of council dwellings, other land and buildings and investment property are materially correct.</p> <p data-bbox="1116 516 2379 618">We engaged an auditor's expert to support us with evaluating the reasonableness of the valuation of the ground lease for the shopping centre. This was due to complexities that we were made aware of during the audit which are commercially sensitive in nature.</p> <p data-bbox="1116 655 2339 722">Our auditor's expert concluded that the valuation basis and key assumptions used to value the asset are reasonable and the valuation is materially correct.</p>

Key audit findings: significant risks

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Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of the defined benefit pension net liability/asset (key accounting estimate)</p> <p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Defined pension fund net liability/asset (valuation): High 	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert; • Evaluating whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts' and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements. 	<p>Subject to the pension fund auditor responding to our enquiries as set out on page 4, our audit work has not identified any significant issues in respect of this risk.</p> <p>Subject to the above, we are satisfied that the valuation of the defined benefit pension net liability is materially correct.</p>

Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.	No issues to report.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	<p>Management include a critical judgement within the financial statements (note 3) which relates to the Joint Waste arrangement with Lichfield District Council. The council disclose their share of the income and expenditure related to this joint arrangement (41.7% being Tamworth Borough Council's current share). The assets and liabilities are not disclosed as they are considered to be nil at 31 March 2024.</p> <p>Management are mindful that this will change in the future upon entering new lease agreements and will ensure they are disclosing their share of assets and liabilities appropriately as they become material.</p>	We are satisfied that the accounts are materially stated as at 31 March 2024 in relation to the joint waste service.
Prior year adjustments identified	No prior period adjustments identified.	No issues to report.
<p>Concerns identified in the following:</p> <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed budget 	No such concerns identified.	No issues to report.

Accounting policies, key judgements and estimates

Accounting policies

We have evaluated the appropriateness of the Council's accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 where appropriate. We have no matters to report.

Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management are set out in the table below, along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

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Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Valuation of: council dwellings other land and buildings investment property (key accounting estimate)	246,210 20,796 1,295 (net book value)	The Council's external valuers provided valuations as at 31 March 2024 following a review of all (100%) of its operational portfolio, including beacons of its HRA portfolio. Council dwellings are valued using a beacon approach, using comparable sale data. Other land and buildings are valued either using an EUV or DRC basis and are based on assumptions such as BCIS indices, asset lives, comparable data and others. Investment properties are held at fair value, with assumptions being made over yields, rental income and comparable data.	We identified the valuation of council dwellings, other land and buildings and investment property as a significant risk to the audit. Our work to address this risk is set out on pages 10 and 11. We have not identified any issues with management's approach and are satisfied that the key judgements and estimates used in the calculation are complete, appropriate and reasonable given our knowledge of the Council.

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Valuation of the defined pension fund net liability (Key accounting estimate)	8,116	<p>The pension costs included in the accounts have been determined in accordance with government regulations and IAS 19. The standard requires the full recognition of the pension liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice.</p> <p>The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013.</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Hymans Robertson is the actuary engaged to provide the council expert advice about the assumptions to be applied.</p>	<p>We identified the valuation of the defined pension fund net liability as a significant risk to the audit. Our work to address this risk is set out on page 12.</p> <p>We have not identified any issues with management's approach.</p> <p>PWC act as an auditor's expert in relation to the IAS 19 reports provided by the Councils actuary Hymans Robertson. We are satisfied that the assumptions used by the actuary are in line with the expectation of our auditor's expert.</p>

Accounting policies, key judgements and estimates

Other judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Minimum revenue provision (MRP)	214	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £214k, a net increase of £10k from 2022/23.</p>	<p>We have considered whether the MRP has been calculated in line with the statutory guidance.</p> <p>We have considered whether the Council's policy on MRP complies with statutory guidance.</p> <p>In doing so, we have assessed whether there have been any changes to the Council's policy on MRP and assessed the reasonableness of the change in the MRP charge.</p> <p>We are satisfied that management's process for producing this estimate is robust. Key assumptions are neither overly optimistic or cautious.</p>

Accounting policies, key judgements and estimates

Other judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	4,883	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	<p>We have performed work over the depreciation charged during the year by completing a substantive analytical review over each asset type based on the useful economic lives set out in the council's accounting policies. In addition, our work on valuation did not highlight any areas for concern relating to useful economic lives. We also performed a review of nil net book value assets at year end. As part of this, we identified 15 assets still in use, 6 of which had their final year of depreciation in 2023/24 and had a gross cost of £1,272k. The remaining 9 had a gross cost of £646k. We are satisfied that assets are in existence, however, recommend management consider their depreciation policy to ensure premature depreciation is not being incurred in line with the prior year recommendations in Appendix I. We are however satisfied that depreciate has not been overcharged to a material level.</p>
Non domestic rates appeals Provision	2,418	<p>Under Business Rates Retention arrangements, Billing authorities acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the Rating List.</p> <p>Further details regarding the approach to determining the NDR provision can be found in Note 38 - Contingent Liabilities. The cut-off date for appeals against the 2017 list was 31 March 2023, however, under the 'Check, Challenge, Appeal' methodology, completed checks can subsequently progress to challenges after this date, and rejected challenges can progress to appeals.</p>	<p>We have performed work to document our understanding of the provision, ensure compliance with IAS 37, ensure compliance with the CIPFA code, test the accuracy of the provision and completeness of the provision.</p> <p>We have no issues to report in relation to this.</p>

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Accounting policies, key judgements and estimates

Other judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Provision for Bad Debt/Expected Credit Losses	3,103	A listing is generated from the sales ledger detailing all outstanding debtors. The due date is utilised in order to categorise the age of the debts and the length. A percentage is then applied to formulate a provision. Managements understanding of the debtors historic trends over the years is also taken into account.	<p>We have obtained an understanding of the methods used by management to determine the provision for bad debt. We have performed sample testing on this to agree the debt and consider the recoverability of this debt.</p> <p>We have no issues to report.</p>
Fair value of financial instruments	70,956 (liabilities) 86,072 (assets)	<p>Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.</p> <p>Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.</p>	We are satisfied that the fair value of financial instruments is materially stated.

Financial statements: other responsibilities

Matter	Commentary	Findings
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit.	Based on our work performed, we are satisfied that there is no risk of material misstatement due to fraud.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.	We have no issues to report in response to this area.
Matters in relation to compliance with 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 instances from our audit work.	We have no issues to report in response to this area.
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.
Confirmation requests from third parties	We requested permission from the Council to send confirmation requests to third parties where cash balances are held and investments. All cash confirmation requests have been received. Confirmations were not received from Natwest in relation to the Council's investments.	We completed alternative procedures on the investment balance where confirmation was not received. We have raised a recommendation for management to consider in Appendix I.
Disclosures	Our review found no material omissions in the financial statements.	We have no issues to report in response to this area.

Financial statements: other responsibilities

Matter	Commentary	Findings
<p>Going concern</p>	<p>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). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Council.</p>	<p>We concur with management’s assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>
<p>Other information included in the Financial Statements: Narrative Report and Annual Governance Statement</p>	<p>We are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated.</p>	<p>We have nothing to report in this regard.</p>
<p>Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> • If the annual governance statement does not comply with the 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 significant weaknesses. 	<p>We have nothing to report on these matters.</p>

Financial statements: other responsibilities

Matter	Commentary	Findings
<p>Specified procedures for the Whole of Government Accounts (WGA)</p>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the threshold for detailed testing.</p>	<p>We will submit our partial assurance statement to the NAO after the audit has been concluded and await further guidance on whether or not any additional work is required. This will not prevent us from signing our audit report.</p>
<p>Certification of closure of the audit</p>	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We cannot issue our certificate of closure until the NAO have confirmed whether any additional work is required for WGA. Our auditor's report will therefore include a delayed certificate.</p>

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

Details of items corrected following discussions with management are as below.

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on general fund £000
DR PPE additions	Nil	123	nil
CR intangibles		(123)	
<i>To correct the incorrect classification of additions which were incorrectly accounted for as intangible assets and should have been accounts for as PPE additions.</i>			
Overall impact	Nil	Nil	Nil

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made in the final set of financial statements.

The Audit Committee is required to approve management's proposed treatment of all items in the table below.

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on general fund £000
DR section 106 grant income CR deferred income	242	(242)	(242)
<i>To correct section 106 grant income which could not be substantiated with any evidence and therefore we have reported this as an unadjusted error.</i>			
Overall impact	242	(242)	(242)

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure change	Auditor recommendation	Adjustment agreed Y/N?
<p>Sources of estimation uncertainty We requested an amendment to note 4 to ensure Council Dwellings were including as an area of estimation uncertainty.</p>	Management should adjust for this in the final version of the accounts.	Yes
<p>IFRS 16 We requested additional disclosures to be included in the financial statements in relation to the implementation of IFRS 16 in 2024/25.</p>	Management should adjust for this in the final version of the accounts.	Yes
<p>Narrative Statement We noted minor changes to the Narrative Statement which related mainly to changes needed to referencing of figures from elsewhere in the financial statements or Narrative Statement.</p>	Management should adjust for all minor presentational, formatting and disclosure issues identified by the audit team.	Yes
<p>Government grants and contributions (note 31) We noted that the Future High Street Fund incorrectly included £85k relating to UK Shared Prosperity Fund (UKSPF). This is a misclassification error. We also noted a disclosure change for the admin grant (£27k) and HB subsidy (£317k).</p>	Management should adjust for this in the final version of the accounts.	Yes
<p>Minor presentational, formatting and disclosure issues We noted a number of minor changes and narrative amendments to improve the presentation of the accounts.</p>	Management should adjust for all minor presentational, formatting and disclosure issues identified by the audit team.	Yes

Audit adjustments

Impact of prior year unadjusted misstatements

The table below sets out the adjustments identified during the prior year audit that were not been adjusted in the final set of financial statements for 2023/24.

Detail	Corrected in current year?	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on total net cost of services £000
Dr Revaluation Reserve Cr Capital Adjustment Account Being incorrect treatment of Housing revaluations in the Other Land and Buildings category.	Yes		64 (64)	
Dr VPFE – Accumulated Depreciation Cr VPFE - Cost Being assets held with a nil net book value that should have been disposed of by the Council.	Yes		250 (250)	
Dr Debtors Cr Creditors Being creditors understated for amounts received in advance for invoices raised prior to year-end.	Yes		168 (168)	
Dr Investment Property Income Cr General Fund Housing Income Being rental income from OLB housing incorrectly treated as Investment Property income.	Yes	68 (68)		(68)
Dr Revaluation Entries Cr Other Land and Buildings Being overstatement of the valuation of garage land as this was double counted by the valuer.	Yes		565 (565)	
Dr Other Expenditure Cr Creditors Being the under-accrual of expenditure. This has been identified through our completeness testing. Management have confirmed to us this was an extrapolated error.	N/A as projected error	110	(110)	110
Overall impact		110	(675)	42

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice and the requirements of Auditor Guidance Note 3 ('AGN 03').

In undertaking our work we have not identified any significant weaknesses in arrangements. Our detailed commentary is in our Auditor's Annual Report.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services.	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk.	No	No	No	Yes
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services.	No	No	No	Yes

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Independence and ethics

In October 2024, we became aware of a possible conflict of interest to the audit of Tamworth Borough Council due to an Azets employee being appointed as a Councillor following the May 2024 local elections. The Ethical Standard for Auditors and ISA (UK) 260 issued by the Financial Reporting Council (FRC) require us to give you full and fair disclosure of matters relating to our independence, in accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements where no independence threats were noted.

2023/24 audit

We have undertaken consultation internally with our Ethics Team, as well as with the Institute of Chartered Accountants in England and Wales, the National Audit Office and Public Sector Audit Appointments. We confirm that we consider there are no facts or matters that impair our integrity, objectivity and independence as auditors that impair our independence to provide external audit services for the 23/24 financial statements, as the Azets employee was not a Councillor during the year under audit and has had no involvement with the audit or the audit team. We consider an objective, reasonable and informed third party would take the same view.

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Following such internal consultation, we have engaged a second partner review (over specific areas of the audit) to mitigate any perceived threat to independence in the post year end period up to the date of signing our audit opinion, to a sufficiently low level. This review covered post balance sheet events and governance arrangements and identified no issues of concern.

We confirm that Azets Audit Services and the engagement team have complied with the FRC's Ethical Standard and the National Audit Office's Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies. We confirm that all threats to our independence have been properly addressed through appropriate safeguards (as set out above) and that we are independent and able to express an objective opinion on the financial statements for 23/24.

However, we require those charged with governance to conclude on this matter prior to us signing our audit report, to ensure the Council consider us independent to act as auditors for the 23/24 period.

2024/25 audit

We have however concluded that an objective, reasonable and informed third party would not consider Azets Audit Services to be independent to continue with the audit engagement from 2024/25 onwards, as the Azets employee has been active as a Councillor since May 2024. We will therefore be required to resign the audit engagement following certification of the 23/24 audit.

Independence and ethics

For the 23/24 audit, we confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard, and we report the following audit related non audit services. Both of these services have been completed with no findings to highlight.

- **Non-audit services:** We provide assurance services as set out below.
- **Contingent fees:** No contingent fee arrangements are in place for any services provided.
- **Relationships:** Other than the matter disclosed on the page above, we have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

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Service	Fee £	Threats identified	Safeguards
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2023/24)	£28,000	Self-interest Self-review Management	Self-interest: Given these are likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or the Council. The fees are fixed and not contingent in nature. Self-review: Whilst housing benefit revenue and expenditure streams and capital receipts are within the financial statements, we do not complete the claim forms. The focus of our work is solely testing the data in the claim forms prepared by the management.
Pooling of capital receipts grant claim (2023/24)	£10,000		Management: As above, the claim forms are completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated.

Appendices

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Appendix I: Internal control recommendations

We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to deficiencies we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards. Recommendations arising from our value for money work are reported separately in our Auditor's Annual Report.

Assessment	Issue	Recommendation	Management response
Amber	Existence of parks and opens spaces		
	As part of our work on confirming the existence of assets in the council's balance sheet, we were unable to confirm the existence of individual parks and open spaces. Management were unable to provide a list to audit of the individual parks and open spaces which make up a total of £955k in the financial statements. Whilst this is below headline materiality, and we are satisfied not materially incorrect as they are community assets held at historical cost, this is a weakness in the council's controls to not be able to identify the assets which make up this value.	We recommend that the council undertake an exercise to identify the parks and open spaces which they are recognising in the balance sheet to allow for them to be individually identifiable on the fixed asset register.	We will be able to provide details of the recognised parks, and our mapping system shows all land in Tamworth in our ownership identified as public open space. Consideration will be given to provide a list in the future.
Amber	Forward posted journals		
	As part of our journals work on forward posted journals, we have identified that the ledger's "effective date" is system driven, while the "created date" is not system driven. This can be manually entered and changed by the poster/user. We have identified that this has resulted in incorrect creation dates being entered into the excel uploader and this resulted in multiple journals identified as being forward posted due to the timing differences in dates between the "incorrectly entered manual creation date/periods" and "the effective date".	Whilst our work did not identify any errors in this area, we recommend that management consider whether the system can be changed to not allow this to be a manual entry.	There were a small number of errors where an incorrect date was manually entered onto a spreadsheet upload journal. We will explore with the software provider as to whether this date can be automated.

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Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix I: Internal control recommendations

Follow up of prior year recommendations

As part of our work we have followed up on control weaknesses and recommendations either raised in last year's report or carried forward from prior reports.

Assessment	Issue	Recommendation	Management response
Amber	<p>Section 106 grant – audit trail</p> <p>Management were unable to provide evidence to support £242k of a Section 106 grant.</p> <p>This is not material and is a historic balance dating back a significant number of years. This was included as an unadjusted error due to lack of audit evidence, however, management are satisfied with the accounting treatment.</p>	<p>Management should ensure they maintain a clear audit trail and evidence to support figures in the financial statements.</p>	<p>The balances relate to pre-1997 receipts and we now include planning permission references in the GL account codes so this should not be an issue in the future</p>
	<p>Investment signatories</p> <p>As part of our audit, we were unable to obtain confirmation from third parties for investments from Natwest. This was due to the council's signatories not being up to date.</p>	<p>Management should ensure that signatories are up to date for accounts holding balances or investments. This should be done in a timely manner within any hand over processes which occurs when signatories are changing.</p>	<p>We have contacted Nat West with up-to-date signatories. All other counterparties are up to date.</p>

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Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix I: Internal control recommendations

Follow up of prior year recommendations

As part of our work we have followed up on control weaknesses and recommendations either raised in last year's report or carried forward from prior reports.

Year reported	Issue and risk previously communicated	Management response	Azets comments
2021/22	A deficiency was identified regarding the review of security logs. The council do not review security logs on all of their systems due to the number of size of the logs. 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.	Management response will be reported at a later date.	Azets have documented our IT findings in Appendix III.
2021/22	Previously, it was 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.	We disposed of these where appropriate following the audit, and will continue to keep this under review on an annual basis as part of the review of the asset register and year end valuation process.	Refer to comments on page 17. We recommend that management ensure this recommendation is considered each year.
2021/22	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. The predecessor auditor's 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. 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.	This will be revisited during 2025/26, during which point the joint waste arrangement is expected to take a material delivery of a new vehicle fleet and under IFRS 16 leasing accounting requirements, Tamworth's share of the assets and liabilities will be included within our financial statements.	We concur with management's assessment.

Appendix II: Fees

We set out below our final fee for the audit (excluding VAT and disbursements) and our fees for other services.

	Proposed fee (as per Audit Plan) £	Final fee £
Base fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA)	146,524	146,524
ISA 315*	21,979	21,979
Auditor's expert for asset valuation*	-	9,142
Total fees charged	168,052	177,603

Explanation for change in fee

Additional fees were incurred as a result of ISA 315 not being included in the original scale fees set by PSAA.

We also incurred additional fees due to the complexities relating to the ground lease of the shopping centre which required us to use an auditors expert.

The audit fees disclosed in the financial statements total £147k. No disclosure has been made for the ISA 315 proposed fee or auditor's expert fee totalling £31k.

Assurance service fees

Service	Fee £
Housing Benefit	28,000
Pooling of capital receipts grant claim	10,000

*The work relating to this standard is not included within the scale fee set out above and the total amount is subject to determination by PSAA.

Appendix II: IT control recommendations

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
Amber	There is a third party agreement document in place regarding access to the Council's systems, however, there is no further assessment of risk.	Any suppliers to the Council who provide technology related services undergo cyber security risk assessments.	Management response will be reported at a later date.
Amber	While the Cyber Security Policy details the responsibility of staff for general cyber security, there is no specific individual designated at a senior level for having oversight of cyber security at the Council.	An individual at a senior level is given responsibility for managing cyber risk.	Management response will be reported at a later date.
Amber	<p>Tamworth Borough Council has in place an ICT Business Continuity Plan detailing the Council's approach to maintaining continuity in the event of a disaster. Additionally, a Breach Reporting Process sets out the process to be followed in the event of a data breach or near miss. A draft Cyber Incident Response Plan (CIRP) is in place, awaiting approval from CMT.</p> <p>While daily, weekly and monthly backups take place, additional testing of BCDR planning is limited. The draft CIRP does not set out requirements or expectations for testing and exercising.</p>	Tamworth Borough Council should prioritise the approval and implementation of their Cyber Incident Response Plan. The Council should ensure that all cyber incident response planning is subject to regular testing to assess the effectiveness of response and recovery plans. Tests should encompass formats such as desktop scenarios and simulations. Testing should be documented, with lessons learned activities performed and used to inform planning going forward. It may, additionally, be prudent for the Council to consider the creation of incident playbooks which set out specific actions to be taken in the event of high impact and/or likelihood scenarios.	Management response will be reported at a later date.

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Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Appendix II: IT control recommendations

Assessment	Issue	Recommendation	Management response
Amber	We noted that from review of the Active Directory and the finance system's password policy configuration that what has been set within the system did not fully align to the corporate policy requirements.	The active directory group policy is brought into compliance with the organisational password policy.	Management response will be reported at a later date.
Amber	We were informed that privileged access is restricted to a subset of the IT day-to-day only 4 members having admin accounts, however each user does not have a separate account for day to day activities.	Those with administrator accounts have separate standard user accounts for day-to-day activities.	Management response will be reported at a later date.
Amber	From review of the entity's suite of policies we noted that two policies had not been reviewed in alignment with their review cycle and were overdue.	Policies are regular reviewed and updated in line with the documented review dates.	Management response will be reported at a later date.
Amber	We noted that from review of the accounts and discussions with management that generic accounts are in place for particular cases, for example supplier access. While assurance can be placed in supplier accounts as an ISO27001 certification is held, there are internal accounts which are not protected by a password vault or similar.	Generic/service accounts' passwords are securely managed/stored and that access is only granted to authorised individuals as needed.	Management response will be reported at a later date.
Amber	Members of the finance team have the ability to add users from the system, therefore there is a lack of segregation of duties as a result the design is deemed ineffective While from an IT perspective, there are compensating controls in place through the requirement of a user requiring an organisational account to access the finance system, this would not prevent an existing user with privileged access creating fictitious accounts.	To mitigate this risk, it is recommended to enhance the segregation of duties by assigning the responsibility and privileged rights to provision access to the IT team. Where provision of access and access rights remains within the Finance team, the risk can be partially mitigated with the introduction of log and/or peer reviews.	Management response will be reported at a later date.

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Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

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