



# The Annual Audit Letter for Tamworth Borough Council

Year ended 31 March 2013

October 2013

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## Section 1: Executive summary

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- 02. Audit of the accounts
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This Letter will be considered by the Audit and Governance Committee on 31 October. 2013. This report reflects the findings from our work on both the financial statements and the value for money conclusion.

# Executive summary

## Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Tamworth Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 26 September 2013.

## Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 28 March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified two grant claims and returns, one required an amendment, the other did not require any amendments;
- our work is on-going on the external audit certification of the government grant return for housing and council tax benefits. A small number of processing errors have been identified that are likely to result in a qualification letter and amendments to the claim form submitted for audit. The impact of these errors is low in comparison to the total value of the claim.

# Executive summary (continued)

## **Key areas for Council attention**

Since October 2010, there have been significant reductions in central government funding for local government.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

The Council remains in a relatively strong starting position to face the austerity.

At the end of the 2012/13 financial year, the Council had £11m of reserves and balances, excluding the Housing Revenue Account (HRA). Of this balance £6.4m are reserves earmarked to particular schemes leaving unallocated general fund balances of £4.6m.

However, current projections show that the Council will need to use almost all of the remainder of the general fund balances to meet budget shortfalls in the next few financial years.

The Council has considered the uncertainty surrounding their financial position and the level of future government funding in its Medium Term Financial Plan (MTFP). Given the forecast reductions in central government funding, the Council has sought to maintain current services by drawing on general fund balances, savings programmes and changes in service delivery. It has also sought to prioritise areas for economic growth. However, the MTFP does not address the underlying deficit (balances will be reduced to £500,000 by 2015/16), and the Council needs to reduce expenditure to a sustainable level as this level of balances would be relatively low for a district council.

The increasingly tight financial situation is the most significant issue facing the Council at present. If the Council is to continue to set a balanced budget then it will have to make substantial savings. The Council has been able to absorb funding cuts to date but, if it is to deliver the further savings required in the future without falling below the minimum level of reserves set at £500,000, it will need to keep this issue at the top of its agenda.

## **Acknowledgements**

This Letter has been agreed with the Executive Director (Corporate Services) and was presented to Audit and Governance Committee on 31 October 2013

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
October 2013

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## Section 2: Audit of the accounts

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An unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year was provided. No changes were made to the accounts that impacted on the Council's overall financial position

# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

The Council presented us with draft accounts on 27 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 8 July 2013.

The quality of the draft accounts and supporting working papers produced by the Council was good. The processes for preparing the financial statements remained strong and the support provided to external audit throughout the year ensured an efficient year end audit process.

### **Issues arising from the audit of the accounts**

In reflection of the good quality of the draft accounts the audited accounts contained a small number of minor disclosure and presentational changes.

### **Annual governance statement and Annual Report**

The Annual Governance Statement was prepared in accordance with CIPFA requirements and reflected the Council's governance arrangements in line with our understanding. The Statement reflected on how governance issues from the previous year had been addressed; and how the Council plans to address risks arising from its review of the governance arrangements going forward.

The Annual Report reflected the activities of the Council for the year and provided readers with a good synopsis of the Council's forward plans.

### **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit and Governance Committee at the Council). We presented our report to the Audit and Governance Committee on 26 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

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## Section 3: Value for Money

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On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.



# Value for Money

## Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

**The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall our work highlighted that whilst the Council faces challenges during 2013/14 and beyond its current arrangements for achieving financial resilience are adequate. Further details are provided in our Financial Resilience report issued in September 2013.

### Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

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## Section 4: Certification of grant claims and returns

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Our work on the certification of grant claims is on-going. The return for housing and council tax benefits will be subject to amendment and a qualification letter as our work has identified a small number of processing errors. As reported to the Audit and Governance Committee on 26 September 2013, the impact of these errors is very low given the overall value of the claim. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

# Certification of grant claims and returns

## Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Council have completed three returns requiring external audit certification for the financial year 2012/13. These relate to Housing and Council Tax Benefit expenditure, the pooling of Housing Capital Receipts and Business Rate income. We have completed our work on two of these returns. Our work on the Housing and Council Tax Benefit claim continues.

## Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

## Key messages

The key messages from our certification work are summarised in the table below. Further details are provided in our certification report which will be issued in January 2014.

## Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
<b>Submission &amp; certification</b>	All claims have been submitted by the relevant deadline.	● Green
<b>Accuracy of claim forms submitted to the auditor (including amendments &amp; qualifications)</b>	One amendment was required to the pooling of Housing Capital Receipts return. This arose because of the wording of the guidance notes. This amendment did not affect the value of the claim. No amendments were required to the government grant return for business rates.	● Amber
<b>Supporting working papers</b>	Working papers have been of a high standard.	● Green

# Appendices

## Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

<b>Fees</b>	<b>Per Audit plan</b>	<b>Actual fees</b>
	<b>£</b>	<b>£</b>
Audit Fee	65,550	65,550
Grant certification fee	18,800	TBC
<b>Total fees</b>	<b>84,350</b>	<b>TBC</b>

### **Fees for other services**

<b>Service</b>	<b>Fees £</b>
None	Nil

Grant certification work is currently underway and will not be completed until 30 November 2013. Therefore, we are not in a position to confirm actual fees for grant certification work at this point in time.

### **Reports issued**

<b>Report</b>	<b>Date issued</b>
Audit Plan	28/3/2013
Audit Findings Report	26/9/2013
VfM – Financial Resilience Report	26/9/2013
Annual Audit Letter	31/10/2013



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