

The Audit Findings Report for Tamworth Borough Council

Year ended 31 March 2014

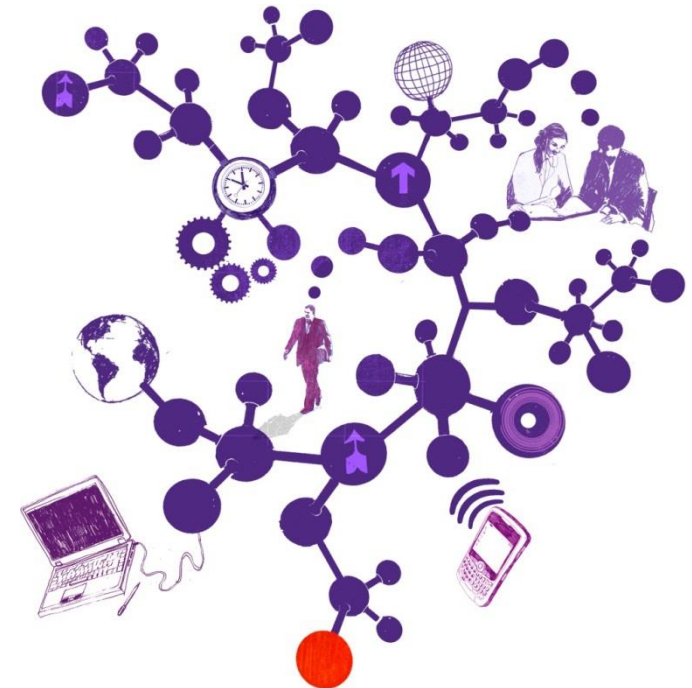
September 2014

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Agenda Item 4

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

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05. Communication of audit matters

The accounts presented for audit were good quality requiring only a small number of disclosure changes

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Tamworth Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion as to whether or not the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan which we presented to the Audit and Governance Committee on 27 March 2014.

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

- review of the final version of the financial statements and re-checking these figures to the ledger
- obtaining and reviewing the management letter of representation

- updating our post balance sheet events review, to the date of signing the opinion

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts (WGA) consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on the value for money conclusion.

The draft statement of accounts were presented to the Audit and Governance Committee on 25 June 2014 and we received the draft accounts on 28 June 2014; and the accompanying working papers on 7 July, in accordance with the agreed timetable. The financial statements submitted for audit were yet again of good quality, delivered by an effective closedown process and supported by good quality working papers.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position. Both the draft and audited financial statements record Total Comprehensive Income and Expenditure as net expenditure of £1.893m.

We did identify a small number of changes requires to disclosure notes, and requested a couple of adjustments to improve the presentation of the financial statements, particularly to simplify the Explanatory Foreword.

The other key messages arising from our audit of the Council's financial statements are:

- the draft accounts and working papers were again of a good quality
- finance staff responded promptly to all audit queries

Value for money conclusion (work being completed at the time of writing this draft Audit Findings Report)

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion. Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

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

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

Whilst our work has not identified any significant control weaknesses within the Council's financial systems that we wish to highlight for your attention, we did identify four improvement opportunities.

Our preliminary work assessing the Council's IT controls identified two minor housekeeping weaknesses regarding password complexity; and controls in place to review information security logs.

In addition to this we identified two opportunities to enhance payroll controls concerning regular updating of the authorisation signatory list; and completion of audit trail documenting the work done when reviewing and acting upon the 'Payroll Calculation - Errors & Warnings' report run prior to processing each months payroll.

Further details are provided within section 2 of this report.

The way forward

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

We have made four recommendations, which are set out in the action plan. Recommendations have been discussed and agreed with the Executive Director (Corporate Services), the finance team and the IT team.

Acknowledgment

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

Grant Thornton UK LLP
August 2014

Section 2: Audit findings

01. Executive summary

02. **Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Our findings were minor in nature, relating to disclosure improvement opportunities.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee on 27 March 2014. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 27 March 2014.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 16	<p>1. Revenue cycle includes fraudulent transactions Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
	<p>2. Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls is present in all entities</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks




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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> Performed a walkthrough of identified controls to confirm our understanding of the system Carried out substantive testing on a sample of purchase ledger transactions and ensured the purchase ledger agreed to the general ledger Performed cut off testing on pre and post year end transactions 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> Performed a walkthrough of identified controls to confirm our understanding of the system Carried out substantive testing on a sample of employee payments; reviewed the operation of monthly reconciliations; and ensured the payroll agreed to the general ledger. 	Our audit work has not identified any significant issues in relation to the risk identified
Welfare expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Performed a walkthrough of identified controls to confirm our understanding of the system Completed detailed testing of benefits payments and subsidy due Ensured the HB system agrees to the general ledger 	Our audit work has not identified any significant issues in relation to the risk identified.
Housing Rent Revenue Account	Revenue transactions not recorded	<ul style="list-style-type: none"> Performed a walkthrough of identified controls to confirm our understanding of the system Performed a predictive analytical review of rental income to check whether the income is in line with our expectations 	Our audit work has not identified any significant issues in relation to the risk identified



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Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition Page 18	The Council's policy is set out in its accounting policies (Note 1 in supporting notes to the financial statements) : <ul style="list-style-type: none"> Accounting Policy 2 – Accruals of income and expenditure Accounting Policy 12 – Government Grants and Contributions Accounting Policy 27 – Accounting for Council Tax Accounting Policy 28 – Accounting for National Non Domestic Rates 	<ul style="list-style-type: none"> The Council's policies are appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice Minimal judgement is involved Accounting policy is properly disclosed 	 Green
Judgements and estimates	Key estimates and judgements include : <ul style="list-style-type: none"> pension fund valuations and settlements useful lives of property, plant and equipment revaluations and impairments Provisions and contingent liabilities 	The Council's policies on estimates and judgements are reasonable and appropriately disclosed and reliance on experts is taken where appropriate.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	The Council's other accounting policies are appropriate.	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Adjustments to the accounts - disclosure changes

The table below provides details of disclosure changes identified during the audit which have been made in the final set of financial statements. (This excludes arithmetical, typographical, trivial or non-sensitive changes)

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Explanatory Foreword			The following changes were made: -the foreword was simplified and made less complex -the Business Rates section now describes the impact of the new accounting arrangements on the accounts
2 Defined Benefit Pension Schemes: CIES and accounting policy 8 (c)			Whilst note 39 was updated in the draft accounts to reflect the recommended disclosure as per the Code, the CIES has now been updated for the current terminology. 'Actuarial Gains/Losses on Pensions Assets/Liabilities' now reads as 'Remeasurement of the net defined benefit liability'. Accounting policy 8(c) Post Employment Benefits has also been reviewed and updated to ensure the most up to date terminology is used
3 Cash Flow Statement			The disclosure note has now been extended to include both: -Adjustments to net surplus or deficit on the provision of services for non cash movements (£15,293k) -Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (£2,568k)
4 Note 12b - Revaluations			The disclosure has been made clearer to identify which properties have been valued by the internal valuer; and which properties have been valued by the external valuer

Disclosure changes (continued)


Adjustment type	Value £'000	Account balance	Impact on the financial statements
5 Note 27 - Amounts Reported for Resource Allocation Decisions			The Support Service Recharges line total was amended to zero (having reconciled Directorate Amounts to (Surplus) or deficit on the Provision of Services). The note was re-worked to ensure amounts are coded to the correct lines
Page 20 6 Note 31 - Officer Remuneration (Remuneration Band Note)			An employee entry was removed from the £50,000-£54,999 banding and to the £55,000-£59,999 banding. This was for the Head of Land Lord Services. n.b. This employee also falls in £50,000-£54,999 for 2012-13 comparator.
7 Note 32 External Audit Costs			Narrative has been added to the note to disclose the £7.5k rebate received from the Audit Commission
8 Note 30 Members Allowances			The Special Allowances Figure has been amended to £83k to agree to underlying records.

Internal controls



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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1. Page 21	 Amber	<p>IT - Logical Access Control</p> <p>The password parameters for the operating system (Active Directory) and the Academy Housing system do not force end users to create passwords with a combination of characters and numbers/special characters (i.e. complexity).</p> <p>By not implementing suitable logical access controls there is the increased risk of the operating system and Academy application being accessed by unauthorised individuals and placing the residing financial information at risk.</p>	<p>Over time and as a culture of greater control is introduced across the organisation, consideration should be given by the organisation to introducing a greater degree of logical access password complexity. Such a requirement should be documented in appropriate policies and distributed to all staff.</p>

Assessment



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

Internal controls (continued)


	Assessment	Issue and risk	Recommendations
2.	 Amber	<p>IT - Reviews of Information Security Logs Created by Active Directory</p> <p>Logs of information security activity within Active Directory were not being formally, proactively, and routinely reviewed.</p> <p>This condition poses the following risk(s) to the organization:</p> <p>Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and/or addressed in a timely manner.</p>	<p>Given the criticality of data accessible through Active Directory, logs of information security events (i.e., login activity, unauthorized access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p>
3.	 Amber	<p>Payroll - Limits of Authority Established</p> <p>The 'Master for checking sign ons' spreadsheet which contains a listing of all those members of staff at the Council authorised to approve starters, leavers, overtime and casual timesheets has not been updated since the 12/13 period and therefore is out of date.</p> <p>This issue does not indicate that there is a weakness in the system that would impact on our audit work; and there is no indication that HR forms are being authorised inappropriately. The issue is that the authorised signatory is not maintained effectively.</p>	<p>The authorised signatory listing detailing who has the authority to authorise HR forms (starters, leavers etc.) should be updated on a regular basis.</p>

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Assessment

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

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
4.	 Amber	<p>Payroll - Exception Reports Identifies Possible Invalid or Duplicate Entries</p> <p>Exception reports are run on a monthly basis to identify potential incorrect entries (e.g. no NI category, no pay for the month, no bank details etc.). These are followed up by payroll and resolved.</p> <p>Whilst our audit work confirmed that the reports are reviewed and acted upon, there was no evidence that the action had taken place.</p>	<p>An audit trail should be maintained, detailing what action has been taken when investigating items appearing on the report.</p>

Assessment

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

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We discussed the risk of fraud with the Audit and Governance Committee on 27 March 2014 . We are not aware of any other incidents in the period , other than those notified to us during our audit and none of which were material. No other matters in relation to fraud have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our work identified a small number of instances where disclosures in the financial statements could be improved. These are included in the relevant preceding section.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

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Section 3: Value for Money

01. Executive summary

02. Audit findings

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04. Fees, non audit services and independence

05. Communication of audit matters

The Council has good arrangements in place to secure value for money

Value for Money – note this work is still in progress therefore the findings below are draft based on findings to date. No matters of concern have been identified to date.

Value for Money conclusion

The Code of Audit Practice 2010 (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 our 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 following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work concluded that the Council's arrangements for securing financial resilience have proved effective. There is robust challenge and support from members, and the Council prepares and keeps under review its medium term financial plan. There are good arrangements in place to monitor and manage revenue and capital budgets. This includes regular reports to management and members on financial and service performance during the year, including savings achieved and actions required to address any shortfall or additional spending.

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. We have completed the following work:

- reviewed how the Council is achieving efficiency through its savings programme
- ensured that the Council is monitoring its savings to achieve its financial targets.
- reviewed how the Council works with its partners.

Value for Money

Our work on economy, efficiency and effectiveness has concluded that:

- The Council had effective arrangements in place which enabled it to deliver its challenging savings programme in 2013/14.
- The Council is exploring further collaborative opportunities such as shared services opportunities with Lichfield District Council as part of its on-going savings programme.
- The Council approved a 3 year Medium Term Financial Strategy in February 2014. The strategy estimates that general fund reserve balances shall be £0.5m the minimum approved level, and HRA reserve balances £1.5m compared to the minimum approved level of £1.5m. Work is ongoing via the Sustainability Strategy to address future financial constraints. Workstreams have been identified to identify further savings.
- The Council faces even greater challenges in the future with the need to achieve substantial savings from 2017/18 onwards to deliver a balanced budget.
- Whilst the Council has effective arrangements for prioritising its resources, looking at new service delivery arrangements and working co-operatively with partners, the continued improvement of these arrangements will be crucial to meeting the significant financial challenges in the future.

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 2014.

Section 4: Fees, non audit services and independence

01. Executive summary

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05. Communication of audit matters

The Audit Commission has proposed a fee increase of £900 in respect of the audit of material business rate balances (this replaces the fee previously charged for the certification of the grant claim)

Fees, non audit services and independence

We confirm below our final fees charged for the audit

Fees

	Per Audit plan £	Actual fees * £
Council audit	65,550	*66,450
Grant Certification	16,400	TBC
Total audit fees	40,945	66,450

* There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and is subject to agreement by the Audit Commission.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

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01. Executive summary

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Authority's key risks when reaching our conclusions under the Code.

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

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

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Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	IT Access controls Review the password settings for the network and key systems with a view to implementing best practice requirements.	M	Our plan to make passwords more complex will be discussed at the Corporate Security Management Group. Subject to endorsement at this group, we will commence consultation with the organisation to advise of the change.	January 2015 Director of Technology and Corporate Programmes
2	Reviews of Information Security Logs Created by Active Directory Review logs of information security events on a regular basis to enable detection of inappropriate or anomalous activity. The review should be performed by one or more individuals who are independent of the day-to-day use or administration of the systems.	M	We are currently investigating an existing tool to automate the detection of certain activities in these logs. Subject to business case (additional modules / licences may be required) this may offer a reasonable solution.	December 2014 Director of Technology and Corporate Programmes
3	Payroll - Limits of Authority Established Update the authorised signatory listing on a regular basis.	M	The list has now been updated and will be reviewed on an annual basis.	End of September 2014 Payroll Manager
4	Payroll - Exception Reports Identifies Possible Invalid or Duplicate Entries Maintain an audit trail detailing the action taken when investigation items appearing on the report.	M	Work flows already in the system will be amended to include sign off by payroll manager which will highlight changes.	End of March 2015 Payroll Manager / HR Advisor

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Appendix B: Audit opinion

We anticipate we will provide the Council with an unqualified audit report

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

Opinion on the Authority financial statements

We have audited the financial statements of Tamworth Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Members of Tamworth Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director (Corporate Services) and auditor

As explained more fully in the Statement of the Executive Director (Corporate Services) Responsibilities, the Executive Director (Corporate Services) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Tamworth Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:
 securing financial resilience; and
 challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Tamworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

James Cook
 Director
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx September 2014



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