

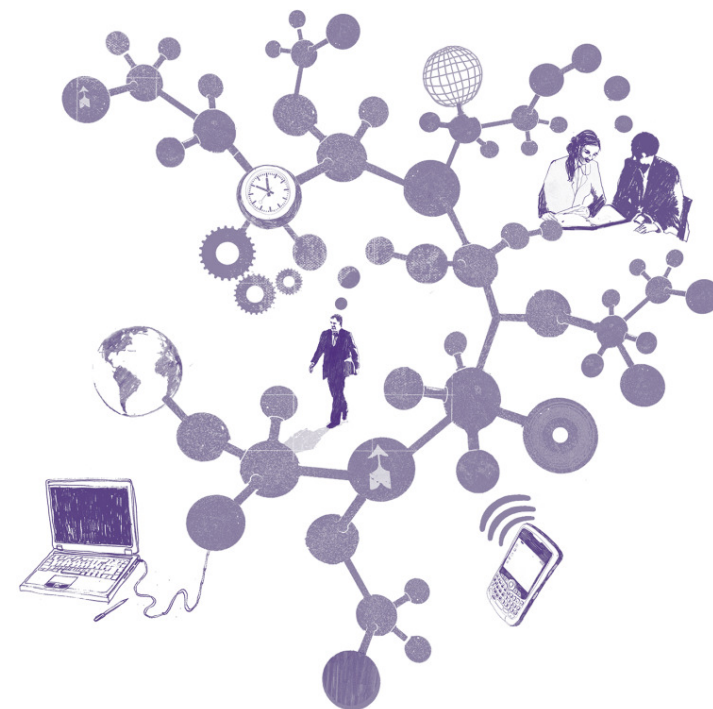
The Audit Findings for Tewkesbury Borough Council

Year ended 31 March 2014

15 September 2014

Alex Walling
Engagement Lead
T 0117 305 7804
E alex.j.walling@uk.gt.com

Clare Uffindell
Manager
T 0117 305 7656
E clare.r.uffindell@uk.gt.com



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.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	21
4. Fees, non audit services and independence	26
5. Communication of audit matters	28
Appendices	
A Action plan	31
B Audit opinion	33

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Tewkesbury 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 on whether 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 dated 16 June 2014.

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

- testing of housing benefit expenditure and council tax support
- review of cashflow, year-end journals and operating segments note
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion and
- Whole of Government Accounts.

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

Key issues arising from our audit

Financial statements opinion

Subject to satisfactory clearance of the outstanding issues, we anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). We did identify a small number of adjustments to improve the presentation of the financial statements.

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

- the accounts contained only a small number of errors, the majority of which have been adjusted by management
- the working papers continue to be of a high quality
- finance staff responded promptly to all audit queries.

Further details are set out in section 2 of this report.

Value for Money conclusion

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.

We draw your attention to two minor control issues identified in relation to:

- the posting of journals
- authorisation of timesheets.

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 Group Manager – Finance and Asset Management.

We have made a small number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Group Manager – Finance and Asset Management and the finance 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
September 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

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 Committee on 25 June 2014. We also set out the adjustments to the financial statements arising 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 25 June 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified 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 risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal 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 significant issues other than the issue noted on page 19.</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 risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented of understanding of controls • Undertaken walkthrough of controls to confirm that controls are operating as described • Substantive testing of operating expenditure 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented our understanding of the controls operating in the operating expenses system • Undertaken a walkthrough of controls to confirm that controls are operating as described • Substantive testing of employee remuneration 	Our audit work has not identified any significant issues in relation to the risk identified other than the minor issue on Page 19.
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented our understanding of the controls operating in the welfare expenditure system • Performed walkthrough to confirm that controls are operating as described • Completed housing benefits subsidy certification modules (as per Audit Commission requirements) • Substantive testing of sample of welfare expenditure 	Work in this area is on-going

Audit findings against other risks - continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	PPE activity not valid	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of the controls operating in the PPE system • Performed walkthrough to confirm that controls are operating as described • Substantive testing of additions relating to PPE (disposals immaterial) 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of the controls operating in the PPE system • Undertaken a walkthrough of the valuation process • Reviewed the instructions to and report from valuers to confirm process is compliant with the Code • Agreed valuations to information provided by the valuers. 	Our audit work has not identified any significant issues in relation to the risk identified other than the issue raised on Page 15.

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Tewkesbury Swimming Bath Trust	No	Targeted	None	Specific (targeted) scope procedures performed	Our audit work has not identified any issues

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
<p>Revenue recognition</p>	<ul style="list-style-type: none"> Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. The council tax and business rates income recognised in the Comprehensive Income and Expenditure Statement is the Council's share of accrued Council tax and business rates recognised in the Collection Fund. The transactions included within the Collection Fund are limited to cashflows (as statute dictates) whereas the income is recognised on a full accruals basis in the Comprehensive income and Expenditure statement. 	<ul style="list-style-type: none"> The accounting policy is appropriate and complies with Code of Practice on Local Authority Accounting (the Code). Income is not an area that requires significant judgement or estimation. The disclosure of the accounting policy is adequate. 	<p style="text-align: center;">● Green</p>

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

Accounting policies, estimates & judgements - continued

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates</p>	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – PPE valuations – impairments 	<p>The estimates and judgements made by management are in line with the Code's expectations.</p>	<p style="text-align: center;">  Green </p>



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

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
<p>Judgements and estimates – PPE</p>	<ul style="list-style-type: none"> Page 46 of the accounts sets out the Council's rolling programme of revaluations and states that PPE is revalued at least every five years. This approach is similar to many other authorities and we are satisfied that the carrying amount of PPE (based on these valuations) does not differ materially from the fair value at 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of PPE simultaneously This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: <ul style="list-style-type: none"> - the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date. 	<ul style="list-style-type: none"> In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year. For assets not valued in the year, insufficient assurance was initially provided by officers that PPE valuations held in the accounts remain materially correct. Hence whilst the Council's accounting policy is considered appropriate, the Council needs to ensure arrangements are in place in future to confirm that the carrying amount of PPE does not differ materially from the fair value at the balance sheet date. 	<p style="text-align: center;"> Amber</p>
<p>Other accounting policies</p>	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	<p style="text-align: center;"> Green</p>

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

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management.

There were no adjusted misstatements at Tewkesbury Borough Council.

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	1,172	The provision for business rates appeals of £1,172k was incorrectly recorded as an impairment allowance against debtors in Note 15 rather than in Note 18 – provisions. The revised accounts show the £1,172k split as follows - £267k (Note 18.1 short term provisions) and £905k (Note 18.2 long term provisions).	No overall effect on the overall financial position
2 Disclosure	--	Some minor changes were made to the financial statements to improve presentation such as ensuring cross references to other notes within the accounts were correct.	No effect on the overall financial position
3 Disclosure	13	Note 29 Audit Costs: Fees payable for certification of grant claims disclosed in the note as £13,100 (which agreed to our original fee letter). However the fee was subsequently reduced to £11,528 by the Audit Commission which we communicated to the Council via our Audit Plan.	No effect on the overall financial position

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:



Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 Note 41 - Events After the Balance Sheet Date: Following information received from the Valuation Office in September 2014, the Council has included an additional note 'events after the balance sheet date' regarding the reductions in the rateable values for a large property for which the Council collects business rates. The rateable value for the property has reduced from £8.1m to £6.3m and is backdated to 2010. This event has been classed by officers as a non-adjusting event (that is, no changes have been made to the 2013/14 financial statements in respect of this information). In our view this is an adjusting event as per paragraph 3.8.2.1 of the Code. However we have accepted that the overall impact on the Council's financial statements each year is not material.</p>	(170)	--	Year on year effect is immaterial
Overall impact	(£170)	--	

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.	 Amber	<ul style="list-style-type: none"> We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and identified the following weakness. The Chief Financial Officer (Group Manager – Finance and Asset Management) has the ability to post journals. This is not good practice. We note though that, as a mitigating control, all journal entries over £10,000 posted by Chief Financial Officer (CFO) are reviewed by the Financial Controller. 	<ul style="list-style-type: none"> The CFO should not have the ability to post journals.
2.	 Amber	<ul style="list-style-type: none"> Timesheets are not routinely signed as authorised by the departmental manager. Rather timesheets are emailed by employee to the departmental manager and forwarded to Payroll. The forwarding of the email currently acts as confirmation of authorisation. 	<ul style="list-style-type: none"> To strengthen the control, it is recommended that the timesheets are individually signed as authorised.

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 have not been made aware of any incidents in the year (other than the corporate fraud in relation to electoral registration) and no issues 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 review found no material omissions in the financial statements
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.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that in a period of austerity, the Council has, to date, managed its finances effectively. Despite the Council not delivering all of its savings plans, the 2013/14 accounts reported an underspend of £537k against budget – due mainly to increased planning and land charges income and business rate retained income. The Council continues to face significant financial risks and challenges during 2014/15 and beyond, but its current arrangements for achieving financial resilience remain satisfactory. For 2014/15, the Council has not refreshed its savings plan but is focusing on delivering those projects which did not deliver in 2013/14 or weren't scheduled to deliver until 2014/15, such as the letting of the top floor of the Council offices. Using the New Homes Bonus monies for the 2014/15 budget gap should allow the Council space to commence a planned review of services; the outcome of which will form the backbone of its Business Transformation programme in the year after.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that arrangements in place continue to be sound.

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>In comparison to its "nearest neighbours" (Audit Commission VfM indicators) for the majority of the indicators the Council is in line with its neighbours and is consistent with the trends indicated by other councils. The average number of sick days per full time equivalent - reported as one of KPIs for Council – reduced in 2013/14. The year-end outturn was 5.77 days which was well below the Council's target of 7.5 and less than the outturn for the previous year (9.03). This is as a result of changes in arrangements for sickness absence monitoring.</p> <p>As stated previously the Council reported an underspend of £537k against its 2013/14 budget.</p> <p>Last year we noted that capital spend was below that planned. This continues to be the case with capital slippage being reported in 2013/14 at 22%. See Page 25 for detail.</p>	Green
Strategic financial planning	<p>The Council has adequate arrangements in place to plan its finances over the next five years. Council approved the latest Medium Term Financial Strategy (MTFS) covering 2014/15 – 2018/19 in January 2014. The MTFS forms the basis of the 2014/15 budget which was agreed, following discussion by the Budget Working Group and Income Working Group, by the Executive and Full Council in February 2014. The latest MTFS recognises a pressure that the Council will need to contend with over the life of the MTFS which is the growth in the size of the Borough. With the new developments currently in the course of construction and others within future development plans, the call for services provided by the Council will increase dramatically and will need investment to meet those needs.</p>	Green

Theme	Summary findings	RAG rating
Financial governance	<p>The Council has adequate arrangements in place to ensure understanding of the financial environment with appropriate engagement from stakeholders and Members.</p> <p>There are appropriate financial governance and monitoring arrangements in place at Member and officer level with quarterly performance management reports being presented to Members.</p> <p>Last year we noted that the Council needed to ensure effective risk management arrangements were in place and that the new risk registers should be reviewed and challenged by Members. We note that a new corporate risk register has been implemented and formed part of the 2014/15 Quarter 1 Performance Management report to Members. It is understood that the implementation of the register will support the Council's existing risk management arrangements which include the Risk Management Strategy, significant project risk registers and the monitoring of risk through standard agenda items at Corporate Management Team and Departmental Management Team meetings</p>	Green
Financial control	<p>Satisfactory arrangements are in place to monitor the Council's finances. As stated above, for 2014/15, no new savings plans have been devised, only the continuation of some of those which did not deliver in 2013/14 and the inclusion of those that weren't scheduled until 2014/15, such as the letting of the top floor of the Council offices. Using the New Homes Bonus monies for the 2014/15 budget gap should allow the Council space to commence a planned review of services and the outcome of the service reviews will form the backbone of its Business Transformation programme in the year after.</p> <p>Per its annual effectiveness review, Internal Audit has confirmed that it is broadly compliant with the Public Sector Internal Audit Standards.</p>	Green
Prioritising resources	<p>The Council undertook a resident's satisfaction survey in accordance with the LGA's best practice guidance 'Are you being served' which enabled it to benchmark results.</p> <p>The Council receives benchmarking data on some key indicators such as planning processing times, from SPARSE (which represents rural authorities). Officers are also instigating benchmarking with the other Gloucestershire districts. LG inform are also looking to undertake benchmarking and the Council has signed up to this.</p>	Green
Improving efficiency & productivity	<p>The Council continues to look at how it delivers services and achieve value for money. A good example of this are the current projects running alongside each other: the office rationalisation and office refurbishment projects. The £1.38m office refurbishment commenced in January 2014 and is due for completion in September 2014. This will transform the building into one that staff and customers can enjoy and work in. Members and staff are working together to develop the aim of moving all Council staff onto a refurbished and rationalised first floor. This will enable the second floor to be let to generate additional income. To enable this rationalisation, the Council has introduced increased use of ICT solutions and new HR policies which promote flexible working.</p> <p>Longer term, the Council is looking at business transformation. During 2014/15, each service will undertake a baseline assessment of itself to identify potential in service efficiency improvements, other service delivery options. This will then inform the Council's strategic service review programme.</p>	Green

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual risk identified	Summary findings	RAG rating
Performance against capital budgets	The total capital spend in the year 2013/14 was £1.5m against a profile of £1.9m meaning a slippage of £418k (or 21.9%). The main slippage was due to disabled facilities grants (where the grant has been approved but completions not received) and capital grants where the project is dependent on a third party. We recommend that the Council should continue to monitor capital spend during the year so that the level of slippage can be easily identified and, where possible, addressed.	Amber
Performance against savings targets	Although the Council achieved an underspend in 2013/14, £349k of planned savings were not achieved due to a combination of delays in implementation and re-evaluation of savings plans in light of council priorities. The Council should continue to monitor progress against its savings plans in 2014/15 to ensure delivery and financial stability.	Amber

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	58,995	58,995
Grant certification *	11,528	** 12,428
Total audit fees	70,523	71,423

* **Fee Variations - business rates** - There is additional fee of £900 in respect of work on material business rates balances in the accounts. This additional work was necessary as auditors are no longer required to carry out work to certify NNDR3 claims. The additional fee is 50% of the average fee previously charged for NNDR3 certifications for a unitary council.

** Our certification work is still on-going. The final fee will be reported to the Audit and Accounts Committee later in the year as part of the annual certification report.

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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

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 Council's key risks when reaching our conclusions under the Code.

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

	Audit Plan	Audit Findings
Our communication plan		
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		✓

Appendices

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The CFO should not have the ability to post journals.	Deficiency	Agreed	30 September 2014 - Corporate Accountant
2	All timesheets should be individually signed as authorised.	Deficiency	Individual timesheets are not required from any of our external sites. Bulk sheets approved by the service management are provided. In the case of the one site where the timesheet is provided electronically, the timesheet is sent from the management at the location as authorised and then further authorised electronically by the Operational Manager at the Council. The double handling of the authorisation process, albeit electronically, provides sufficient mitigation against any risk of fraudulent claims and is considered appropriate and efficient.	-
3	The Council needs to ensure arrangements are in place in future years to confirm that the carrying amount of Property, Plant and Equipment does not differ materially from the fair value at the balance sheet date.	Deficiency	Now that the new requirement and auditing needs are fully understood, the exact requirements can be built into the contract for valuation services which will be re-let later this year.	31 March 2015 - Finance Manager

Appendix A: Action plan - continued

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
4	The Council should continue to monitor capital spend during the year so that the level of slippage can be easily identified and where possible, addressed.	Deficiency	The monitoring and reporting regime in place is good and is currently being assessed to further strengthen it. Monthly monitoring takes place in service areas and formal reporting is on a quarterly basis. Best estimates are made on expenditure profiles but expenditure on grants is largely dictated by third parties and tends to distort the outturn position.	On-going - Budget holders
5	The Council should continue to monitor progress against its savings plans in 2014/15 to ensure delivery.	Deficiency	The monitoring and reporting regime in place is good and is currently being assessed to further strengthen it. Monthly monitoring takes place in service areas and formal reporting is on a quarterly basis.	On-going - Budget holders

Appendix B: Audit opinion

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

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

Opinion on the financial statements

We have audited the financial statements of Tewkesbury 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 Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow 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 Tewkesbury 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 Group Manager – Finance and Asset Management and auditor

As explained more fully in the Statement of the Group Manager – Finance and Asset Management's Responsibilities, the Group Manager – Finance and Asset Management 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 and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Group Manager – Finance and Asset Management; 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 Tewkesbury Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group 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 and applicable law.

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.

Appendix B: Audit opinion (continued)

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, Tewkesbury 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 certify that we have completed the audit of the financial statements of Tewkesbury Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Alex Walling
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

XX September 2014



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk