

The Audit Findings for Tewkesbury Borough Council

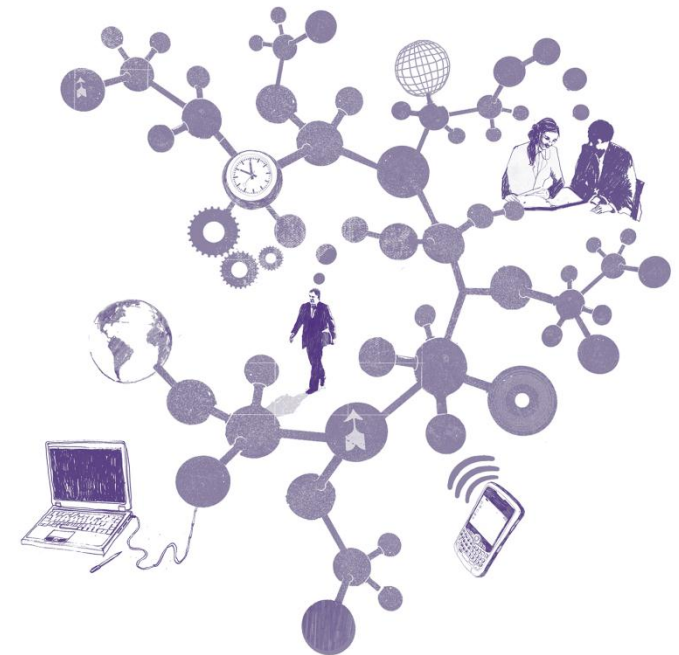
Year ended 31 March 2013

19 September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed 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

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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 2013. 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, although we have made a minor change in the way the plan is presented, dated 11 March 2013.

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

- depreciation, employees remuneration, benefit expenditure, group accounts and the Whole Government Accounts return,
- review of the final version of the financial statements,

- obtaining and reviewing the final management letter of representation,
- confirming the final status of the Annual Governance Statement, and
- updating our post balance sheet events review, to the date of signing the opinion

We received the 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

We have identified no material errors in the accounts.

However, management identified one misclassification error in the Comprehensive Income and Expenditure Statement which has been adjusted in the revised accounts. In addition, we identified a small number of adjustments to enhance disclosures and the presentation of the accounts.

We anticipate providing an unqualified opinion on 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, all of which have been adjusted by management
- the working papers were of high quality
- finance staff responded promptly to all audit queries, facilitating the prompt completion of the audit

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

Value for money conclusion

We intend to give an unqualified VFM conclusion stating that, in all significant respects, Tewkesbury Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

Work is underway and will be completed before the 4th October 2013 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 control weaknesses within the Council's financial systems that we wish to highlight for your attention, our preliminary work assessing the Council's IT controls did identify some weaknesses regarding access controls.

Full 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 Director of Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Resources 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 2013

Section 2: Audit findings

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02. Audit findings

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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 20 March 2013. 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 11 March 2013, although we have made a minor change in the way the plan is presented.

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>	<p>Our work to address this presumed risk included:</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>	<p>Our work to address this presumed risk included:</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries 	<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.</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	<ul style="list-style-type: none"> • Documentation of accounting system processes • Identification and walkthrough of, activities-level controls • Detailed substantive tests on the cost of services gross expenditure • Consideration of the existence of unrecorded liabilities • Consideration of the disclosures made through supporting notes to the accounts 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Remuneration expenses not correct Employee remuneration accruals understated	<ul style="list-style-type: none"> • Documentation of accounting system processes • Identification and walkthrough of, activities-level controls • Attribute testing of employee remuneration expenses and agreement to source documentation • Detailed substantive tests on employee remuneration expenses • Consideration of the work of the actuary • Consideration of disclosures made through supporting notes to the accounts 	Our audit work has not identified any significant issues in relation to the risk identified

Audit findings against other risks (continued)



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none">• Documentation of accounting system processes• Identification and walkthrough of, activity level controls• Review of Northgate system parameters• Detailed substantive tests on the cost of services gross expenditure• Consideration of the existence of unrecorded liabilities• Consideration disclosures made through supporting notes to the accounts	Our audit work has not identified any significant issues in relation to the risk identified

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	<ul style="list-style-type: none"> Revenue from the provision of services is recognised when the Council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the Council. Government Grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments 	<ul style="list-style-type: none"> The Council's policy is entirely appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice Minimal judgement is involved Accounting policy is properly disclosed 	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements included: <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions 	<ul style="list-style-type: none"> The Council's policy is entirely appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice Reliance on experts is taken where appropriate Accounting Policy is properly disclosed 	
Other accounting policies	<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 highlighted that the Council's policies are appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice Although we requested the addition of a reference to the fact that the accounts were going concern no issues arose which we wish to bring to your attention. 	

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

An adjustment 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. The table below summarises the adjustment arising from the audit which have been processed by management.

Impact of adjusted misstatements

The adjusted misstatement is set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 The gross expenditure and gross income for Central Services to the Public and Planning Services lines in the CIES were incorrect but this had no net effect on the CIES	56 -56		
Overall impact	£NIL	£NIL	£NIL

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 Disclosure	75	Employers Pension Contributions	The prior year comparator for employers' contribution payable to the LG pension scheme referred to in Note 40 were incorrectly stated as £1,627 rather than £1,702.
2 Disclosure	N/A	Accounting Principles	The Accounting principles did not refer to the fact that the accounts had been prepared on a going concern basis.

Unadjusted misstatements


There are no unadjusted misstatements arising from our audit.

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.		Our work on reviewing high level IT controls identified some weaknesses in IT access controls, in particular the lack of reviews of access to Civica Financial, Revenues and Benefits or Chris HR/Payroll systems, consideration of whether network users have appropriate access rights and the limited segregation of duties of the main administrators of the finance and payroll systems	<p>Management should :</p> <ul style="list-style-type: none"> • identify the more critical audit logs and review them on a periodic basis for any anomalies. • consider implementing a formal process to review user access and their role profile on the network and to main finance and payroll systems to ensure access is appropriate based on job functions and that all terminated users have been appropriately removed or disabled from the finance and payroll systems. • Management should consider the allocation of system administrator rights where members of the team have a financial reporting responsibility to ensure that it does not cause a conflict. If this is not practical then a process should be put in place to independently review audit logs regularly as a compensating control.

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 previously discussed the risk of fraud with the Audit Committee and been made aware of a number of instances of potential benefits claimant fraud. We are satisfied that these have no impact on our opinion. No other 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

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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
- 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

Our overall conclusion is that whilst the Council faces a number of financial challenges its current arrangements for securing financial resilience in the future are good.

In particular the new Homes bonus is making a positive contribution to the Council's overall financial position.

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.

Our overall conclusion is that the Council is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively.

However, it clear that the Council's failure to achieve its savings plans in full for 2011/12 and 2012/13 contributed to the budget deficits in each of these years.

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.

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

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Planning residual risk At the planning stage the Council's mid year projection for 2012/13 was a £250k overspend against the General Fund Budget . This could impair the Council's ability to respond to financial pressures such as the impact of changes to Council Tax and NNDR and the next RSG settlement announcement.</p> <p>The main reason for the overspend was the non achievement in full of the Council's savings plan. This was also the case in 2011/12 when the Council incurred a budget deficit of £416k</p>	<p>The Council 's 2012/13 outturn position was an overspend of £301k against its budget, slightly higher than the projected overspend. This follows an overspend of £416k in 2011/12.</p> <p>The following assurances were obtained in mitigation of these overspends:</p> <ul style="list-style-type: none"> • The amount of capital and revenue reserves as a proportion of expenditure for the last four years up to 2011/12 has remained reasonably constant, showing that the authority has been able to maintain its reserves levels. Also that the Council in comparison to others sits towards the top end of the neighbour group, which is evenly split between those which saw a fall in 2011/12 and those which saw a rise. • The Council in 2012/13 has maintained its reserves overall, having set aside earmarked reserves for new business rates. • After adjustments and transfers from reserves the Council's General Fund balance increased by £188k. • The Council's reorganisation has continued into the current year and the Council's savings plan is going well in the current year. 	<p>We conclude that the risk to the future financial resilience of the Council is minor. However, we have made a recommendation in the Action plan at Appendix A.</p>

Residual Risk identified	Assurances obtained	Conclusion on residual risk
Other residual risks		
<p>For five months of 2012/13 the corporate risk register had not been presented to members consideration.</p>	<p>The Council reviewed its approach to risk management following a review by Internal Audit. As a result a new Risk Management Strategy was agreed in November 2012. This Strategy addressed the areas of concern and as a result the Council has replaced the corporate risk register and operational risk registers with five Directorate Risk Registers.</p> <p>The draft Directorate Risk Registers had been produced and were waiting to be quality assured by the Corporate Management Team and the Corporate Governance Group In February 2013 .</p> <p>However, as at June 2013 these registers had yet to be agreed and finalised.</p>	<p>We conclude that the risk to the future financial resilience of the Council is minor.</p>

Section 4: Fees, non audit services and independence

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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*	12,554	12,554
Total audit fees	71,549	71,549

*Certification work is on-going. The final fee will be reported to the Audit Committee later in the year in our 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

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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 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.

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		✓

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.	<p>Management should :</p> <ul style="list-style-type: none"> identify the more critical audit logs and review them on a periodic basis for any anomalies. consider implementing a formal process to review user access and their role profile on the network and to main finance and payroll systems to ensure access is appropriate based on job functions and that all terminated users have been appropriately removed or disabled from the finance and payroll systems. Management should consider the allocation of system administrator rights where members of the team have a financial reporting responsibility to ensure that it does not cause a conflict. If this is not practical then a process should be put in place to independently review audit logs regularly as a compensating control. 	Medium	<p>A full review of access to the main financial systems has taken place following the organisational review in order to ensure appropriate access. In order to actively demonstrate that a review of access to specific systems is taking place the council plans to:</p> <ul style="list-style-type: none"> - introduce on at least an annual basis a documented review of access granted to individuals to key systems <p>Access to the network is initiated by line managers who complete starters and leavers forms for all staff. These forms are then actioned by the ICT section. ICT have procedures and software in place to monitor external access to the network which is compliant with Government Connect standards. To further enhance these procedures, the council plan to:- review the recruitment procedure to ensure that systems access is reviewed appropriately following changes in role for current employees</p> <ul style="list-style-type: none"> - introduce an annual review of access granted to individuals to the TBC network <p>The council's low staffing numbers make full segregation of duties difficult but where full segregation cannot be achieved other mitigating supervisory controls exist. For example there is a monthly review of all large journals, all creditor bank details are independently checked, council tax refunds are independently authorised and new payroll starters are independently reviewed.</p>	<p>System owners Mar 14</p> <p>Human Resources Dec 13</p> <p>ICT Mar 14</p>

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
2	Management should review the robustness of its savings plans and ensure that realistic savings are built into the Council's budget setting process.	Medium	Savings plans will be monitored on a monthly basis by Corporate Leadership Team to ensure delivery and mitigating actions if necessary. Future savings plans will be developed in conjunction with Group Managers and other appropriate officers to ensure that those presented to members for inclusion within future budgets are robust and achievable. Where savings plans are reliant on delivery of specific actions by third parties, as in previous years, the risk associated with them will be flagged to members.	Group Manager - Finance & Asset Management Feb 14

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 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group 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 2012/13.

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 Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources 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 Director of Resources; 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. 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 2013 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 2013 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 2012/13.

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 November 2012, 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 2013.

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 November 2012, 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 2013.

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.

Peter A Barber
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

XX September 2013

Appendix C: Overview of 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.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 4 March 2013, although we have made a minor change in the way the plan is presented.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	Yes (this line was excluded in the plan)	See our comment on page 13
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Dividend income from Joint Venture	Revenue			No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
PFI revenue support grant and other Government grants	Grant Income ⁹	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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