

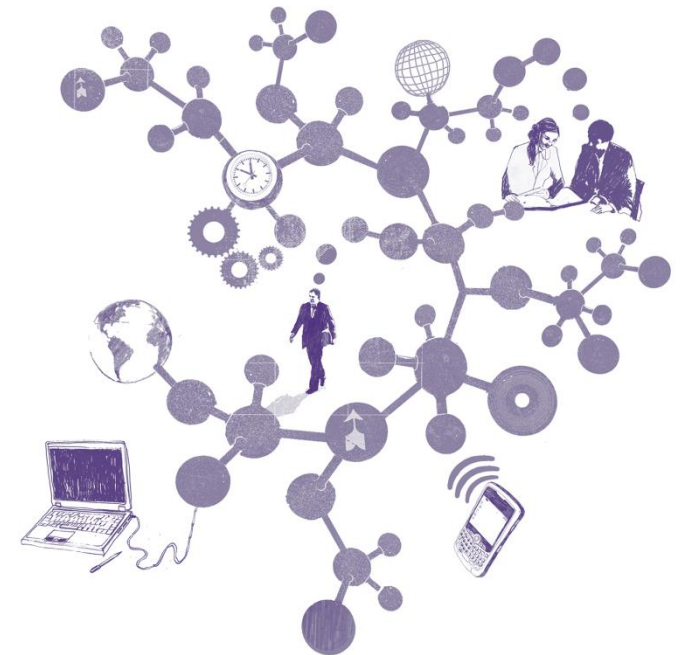
The Audit Findings for Tewkesbury Borough Council

Year ended 31 March 2015

22 September 2015

Alex Walling
Engagement lead
T +44 (0)117 305 7804
E alex.j.walling@uk.gt.com

David Johnson
Audit Manager
T +44 (0)117 305 7727
E david.a.johnson@uk.gt.com



Tewkesbury Borough Council
Council Offices
Gloucester Road
Tewkesbury
Gloucestershire
GL20 5TT

21 September 2015

Dear Members

Audit Findings for Tewkesbury Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Tewkesbury Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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.

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

Yours sincerely

Alex Walling

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	19
4. Fees, non-audit services and independence	26
5. Communication of audit matters	28

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 2015. 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 UK&I).

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 and 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 24 June 2015.

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

- 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

We anticipate providing an unqualified opinion in respect 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
- bad debt provision for housing benefit requires further consideration in light of proposed changes to benefit regulations
- the working papers continue to be of a high quality
- finance staff responded promptly to all audit queries

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £9,432k; the audited financial statements required no adjustment.

Further details are set out in section two 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 three 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

Roles and responsibilities

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.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two 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 Finance and Asset Management Group Manager.

We have made recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Finance and Asset Management Group Manager 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 2015

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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24 June 2015. 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 24 June 2015.

Audit opinion

Our proposed 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 (UK&I) 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 (UK&I) 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 (UK&I) 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.</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 our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls • tested operating expenses including unrecorded liabilities and manual accruals 	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 work identified that the remuneration for one officer had not been disclosed within senior employee remuneration. No other issues have been identified as part of our work 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
<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. 	

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
Estimates and judgements	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> - useful life of capital equipment - pension fund valuations and settlements - PPE valuations - impairments - Provisions 	<p>Review of bad debt provision considered that the Council had under provided against the outstanding housing benefit debt. This leaves the Council at risk of not having enough resources to meet ongoing obligations should there be a change in the liability. The proposed change to universal credits has not yet identified who will be responsible for outstanding debt and it maybe that the Council will no longer be able to reclaim overpayments against ongoing benefit entitlement. The Council should continue to monitor the bad debt provision to ensure it is adequate to meet future needs.</p> <p>No other issues have been identified from review and testing of estimates and judgements</p>	
Going concern	<p>The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Directors' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.</p>	
Other accounting policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	


Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Accounting policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.		<p>Estimates and judgements - Property, Plant & Equipment</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. 	<p>The Council has changed valuers for 2014/15 and has chosen to revalue all assets on an annual basis from, and including , 2014/15. Therefore assets within the accounts will be on a market value and there is no requirement for a rolling valuation programme.</p> <p>This has been disclosed in accounting policies and it is considered that the current policy has addressed the issue and no further review is required.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

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. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit
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 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.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to third parties for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

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. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above.

The controls were found to be operating effectively and we have no matters to report to the Audit Committee.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<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 Council has revised its policies and the Chief Financial Officer (Group Manager – Finance and Asset Management) no longer has access to posting journals. This is considered appropriate.
2.	✓	<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"> Employee remuneration is an area that is considered at risk of material misstatement and as such is subject to substantive testing. Testing of timesheets found no issues in 2014/15 and the process is considered robust.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

No such adjustments have been required in 2014/15.

Unadjusted misstatements

Unadjusted misstatements are adjustments identified which we request to 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 identified.

No such adjustments have been identified in 2014/15

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		Senior Officer Remuneration	Review of Senior Officer Remuneration identified that one member of senior management had been omitted. There is no impact on the primary statements within the accounts. The disclosure is within note 26 to the accounts and is information for the reader of the accounts.
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

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

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

Overall our work highlighted that the Council has managed its finances effectively. It has relatively high levels of reserves (as a percentage of gross expenditure) and it has managed its expenditure to achieve an underspend against its original budget, while delivering its savings targets.

There has been an improvement in Council Tax collection rates and the Council should ensure that this trend is maintained. Further the Council's Medium Term Financial Plan has gaps in future years for identified savings and there is a potential over reliance on a single source of income with the New Homes Bonus. The Council has plans in place to address the identified gaps and should ensure they continue to monitor this within the MTFP process.

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

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints within which it is required to operate. The Council monitors performance especially where there has been service redesign to ensure that the Council is still achieving its targets.

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 2015.

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>The Council's working capital ratio (current assets divided by current liabilities) has reduced to 3.9 in 2014/15 compared to 8.7 in 2013/14. This is because the Council has increased provisions in order to mitigate risks arising from potential repayment of business rate appeals.</p> <p>The Council has achieved underspends against its original and revised budgets over the past couple of years. The original estimate in a number of years have been a more accurate predictor that the revised estimate of the final outturn.</p> <p>The Council has relatively high levels of usable reserves (65% of gross revenue expenditure). However, most of this balance £22.4m relates to capital receipts and Earmarked reserves which cannot be used to support day to day revenue expenditure.</p> <p>Days lost due to sickness at Tewkesbury had been consistently lower than the local government average over the period but there was a significant increase in 2014/15, due to increased number of days lost to long term sickness. This rate has increased from 5.77 in 2013/14 to 8.67 in 2014/15 which is above the Council's target of 7 days.</p> <p>Tewkesbury's collection rate for Council Tax in 2013/14 at 97.9% placed the Council just below the average performance for comparable authorities. In 2014/15, Tewkesbury's collection rate increased by 0.13% to 98.03%. The Council's target collection rate is 98% which is in line with the performance that most other Borough councils are already achieving. It is noted that Council Tax levels are amongst the lowest in the country and there remains a determination by members to continue this trend.</p> <p>NNDR collection rates for 2014/15 are 98.7% against a target of 98%. This is roughly in line with the 2013/14 collection rate of 98.96% and is better than the average collection rate for comparable authorities</p>	Green

Theme	Summary findings	RAG rating
Strategic financial planning	<p>The Council annually produces a five-year Medium Term Financial Plan (MTFP). The MTFP covers financial issues that the Council will face during the five year period. The Council has developed a strategy for dealing with the financial difficulties it is facing which include:</p> <ul style="list-style-type: none"> • Making annual savings • Managed use of balances • Partial use of new homes bonus • Council tax increase • Growth in business rates <p>The current MTFP to Council in February 2015 shows a budget gap of almost £1.6m in 2016/17. At the same time last year (September 2014) the budget gap for 2015/16 had been £800k. The Council was able to close that budget gap for 2015/16, and it is anticipated that the current gap for 2016/17 will also be addressed.</p> <p>The Council continues to work to identify future savings and income generation opportunities and as such these should address the funding gap. The funding gaps are also noted for future years and it is considered that there is a potential over reliance on one source of funding through the New Homes Bonus.</p>	Amber
Financial governance	<p>The Council and Executive clearly understand the financial environment in which they operate and there is regular communication with members regarding key changes to the financial environment such as localisation of Council tax benefits and the pooling of business rates.</p> <p>The Medium Term Financial Plan and financial updates clearly set out the financial pressures facing the Council.</p> <p>There is strong officer and member involvement in the budget setting process. Budget workshops are held as part of the process and include officers, members and external stakeholders.</p> <p>There is regular budget reporting to the Executive (quarterly). Reports show the original budget, revised budget and year end forecast for each service with an explanation of any variance. There are regular updates on budget virements and progress on major savings (with a report at the end of the year detailing the savings that have been achieved).</p>	Green

Theme	Summary findings	RAG rating
Financial control	<ul style="list-style-type: none"> In June 2015 the Council reported that savings of £601k were made against £325k planned savings and that it had underspent on its original budget by £96k and its revised budget by £207k. The Council reports on the delivery of its savings plans so that they can be monitored in addition to the overall budgetary position. Internal Audit has completed its work programme and concluded that it could "...provide reasonable assurance that overall there is generally a satisfactory level of control in relation to the effectiveness of the Council's governance, risk management and control environment. This internal audit opinion is one of the sources of assurance that is used to support the Council's Annual Governance Statement' The outturn position for 2014/15 shows that assets are steady, short term investments have decreased and short term creditors have increased. This demonstrates that the Council has not required the sale of assets to meet shortfalls and although the increase in creditor levels is not ideal it is something that the Council can address in order to rectify. The reduction in short term investments is as a result of the Virgin Media repayment which is seen as a one off significant event and unlikely to be repeated in future years. Further based on review of documents to monitor savings there has been no requirement for planning as a result of not delivering savings and therefore putting the delivery of statutory services at risk. 	Green
Prioritising resources	<p>The Council has challenged delivery methods and considered alternative options, working with local authorities and other organisations for alternative ways of delivering services such as community and leisure trusts, and joint provision of services across local authorities.</p> <p>It has identified economic development as a key priority and invested in officer support to enable the Council to increase its impact in this area.</p> <p>The Management Board has carried reviews across all directorates to identify potential savings and where income can be increased, such as One Legal and the potential renting out of surplus office space. Further income has been generated from the agreement of the management contract for running the leisure services once the leisure centre has been completed.</p> <p>The Council has also identified the New Homes Bonus income as a source of funding and has been prudent in its use of this income. The amount used to fund the revenue budget has been capped at 65% of the revenue budget per year which provides a safety net over the next two years and a reduced requirement in the third year should this be removed. The excess is used to fund projects and schemes that would otherwise have been difficult to fund. Whilst the NHB scheme continues this is not an issues although the Council needs to consider other sources of funding should Central Government policy change</p>	Green

Theme	Summary findings	RAG rating
Improving efficiency & productivity	<p>The Council has adequate arrangements to monitor the implementation of spending reductions through regular budget monitoring and actions. There is evidence of how the Council monitors performance of services to ensure that reductions in spending don't adversely impact on Council priorities</p> <p>There are examples of joint working with other local authorities on Legal and Waste services - delivering savings and service resilience.</p> <p>One of the most significant partnerships for Tewkesbury is with Ubico for the provision of waste services. This has provided an example of how joint working and innovative ways of working with partners will reduce costs or improve services than had the Council worked alone. The Council continues to monitor this partnership and are looking to identify further options that will result in greater savings in conjunction with their partners.</p> <p>The Council monitors key indicators of performance and benchmarks against prior year performance and targets for the financial year.</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
<p>Strategic Financial Planning – focus of the MTFP</p>	<p>Review of MTFP showed that a 3-5 year plan has been considered and has been based on reasonable assumptions. There are a number of gaps in future years which have yet to be addressed and no concrete plans have been made to identify how the shortfall will be addressed. Income recognition is monitored to identify future revenue streams to address some of the gap and a review of services continues to be undertaken alongside a transformation programme that has been agreed and will be implemented following member agreement. It is envisaged that savings identified from this process will also cover some of the shortfall. Management have taken steps to address the gaps and the ongoing process will be monitored to ensure that a balanced budget is achieved.</p> <p>There is a reliance on the new homes bonus (NHB) which is capped within the revenue budget at 65% per year. This provides a safety net for future years providing the scheme continues as is. There is no indication that there will be a change in central government policy although this remains a risk. It is envisaged that a portion of the 'excess' NHB will be used to fund projects and services that would otherwise have been difficult to fund.</p>	<p>Amber</p>

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	59,895	59,895
Grant certification on behalf of Audit Commission	12,700	*12,700
Total audit fees	72,595	72,595

*Work is ongoing. Final fee to be confirmed in Annual Grant report

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 Financial Reporting Council'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 (UK&) 260, as well as other (UK&I) 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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should continue to monitor the method for calculation of bad debt provisions and ensure that provisions for liabilities are based on appropriate assumptions and are adequate taking into account future benefit regulations	Medium	<p>The Council continue to monitor outstanding debt and have a process in place for agreeing ongoing recovery from benefit entitlement. The Council have a good understanding of the current position and the future risks. It is considered that there is a low risk of non collectability and a large proportion of the debt is managed through a formal agreement.</p> <p>The Council will continue to monitor any changes in regulation and will assess the impact on future collectability when outcomes are known</p>	Group Manager Finance and Asset Management – ongoing.
2	Plans to bridge the budget gaps in 2016-17 and 2017-18 should be drawn up as soon as possible.	Medium	Detailed planning on meeting the budget deficit over the medium term carried out by management needs to be communicated and discussed with the newly formed Transform Working Group. This is an ongoing process which will need to be reviewed and updated in light of future government announcements about local government finance including the Comprehensive Spending Review.	Group Manager Finance and Asset Management – ongoing.

Appendix B: Audit opinion

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

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

We have audited the financial statements of Tewkesbury Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the 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 2014/15.

This report is made solely to the members of Tewkesbury Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 2014/15, 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 also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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 2015 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 2014/15 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.

Matters on which we report by exception

We are required to 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; or we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

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

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

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

30 September 2015



© 2015 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