



The Audit Findings for Bromsgrove District Council

Year ended 31 March 2013

25 September 2013

Phil Jones

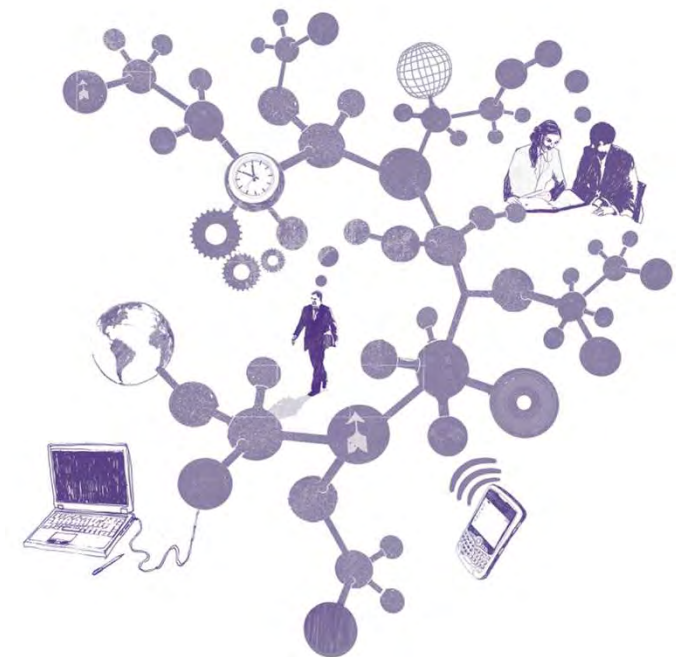
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is 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

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We are planning to issue an unqualified opinion on the accounts by the statutory deadline of 30 September. We also plan to issue an unqualified conclusion on the Council's arrangements to secure value for money.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Bromsgrove District 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 dated March 2013. Our audit is substantially complete although we are finalising our work in the following areas:

- Whole of Government accounts
- Housing benefits

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

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 on the financial statements. The accounts were well prepared with adequate supporting papers and officers were responsive to any questions raised. We have identified no adjustments affecting the Council's reported financial position. Adjustments have been made to supporting notes and disclosures to improve the presentation of the financial statements.

There was one significant change to the accounts that impacted on several notes. This related to the accounting for a notional capital receipt for the Council's share of receipts from the sale of former council houses. We agreed with officers that it would be proper to reverse these entries and refer to the transaction in a separate note to the accounts.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

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

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable. The National Audit Office states a minimum level of expenditure below which only limited procedures are required. Bromsgrove's accounts fall into this category.

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.

No significant deficiencies in control were identified in the audit. At the date of issue of the audit plan, we reported that our IT risk assessment was incomplete. We have summarised the weaknesses identified in that review – however none of these represent deficiencies that we consider could result in a material misstatement.

Further details are provided within section 2 of this report.

The way forward

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

We made some recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Executive Director (Finance and 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.

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

This section summarises the findings from the opinion audit. This section also includes an update on the risks and approach outlined in the audit plan issued to you in March 2013.

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 Board in 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 in March.

Unadjusted misstatements

All adjustments have been agreed with the Council and we have no unadjusted misstatements to report

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 . We reported in our audit plan that we considered that we were able to rebut this risk.</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In our review of journal controls, three journals from a sample of 127 were not evidenced as authorised . There were however working papers to support the journals and we judged that these were errors rather than indicative of an overall weakness in controls or indicative of management override of controls.</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	Operating expenses understated 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 are designed effectively Tests of controls for operating expenditure Completion of substantive testing for the financial year 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Remuneration expenses not correct	<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 are designed effectively Tests of detail on the employee remuneration including <ul style="list-style-type: none"> Performance of substantive testing on a sample of payroll expenditure Agreement of employee remuneration disclosures in the financial statements to supporting evidence 	Our audit work has not identified any significant issues in relation to the risk identified
Welfare expenditure	Welfare benefits improperly Welfare benefits improperly computed	<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 are designed effectively Completion of Housing benefit claim initial sample testing 	Our audit work has not identified any significant issues in relation to the risk identified


Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed
Bromsgrove Arts Development Trust	Yes	Comprehensive	Building valuation not accurately recorded	<ul style="list-style-type: none">• Review of valuation report from independent valuer .• Confirmation with the Trustees of the Bromsgrove Arts Development Trust that there are no income or expenditure transactions within the accounts.

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>	<p>Grants and contributions are recognised when there is reasonable assurance that the council will comply with the conditions attached to them and the grants or contributions will be received. Grants and contributions are accounted for on an accruals basis and are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the council has not satisfied.</p> <p>Fees for the provision of goods and services due from customers are accounted for on the date that the council supplies the service.</p> <p>Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</p> <p>Where revenue has been recognised but cash has not been received or paid, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</p>	<ul style="list-style-type: none"> • Our review of accounting policies has confirmed that these are consistent with expectations formed by our review of the LA SORP. Our testing has not identified any instances where the Council is not complying with its revenue recognition policies. • No significant estimates or judgements have been identified in relation to revenue recognition other than the provision for bad debts. We have undertaken specific testing on the provision for bad debts. 	

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

<p>Other accounting policies assessment</p>	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	
<p>Judgements and estimates</p>	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – Provisions – Earmarked reserves 	<p>The stated bases of judgment and estimates set out in note 2 to the accounts, reflects our understanding of the key estimates in the accounts and where we have carried out audit tests of the estimates we have judged that the basis of estimate is reasonable.</p>	

Adjusted misstatements

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

Impact of adjusted misstatements

All adjusted misstatements are 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			
<ul style="list-style-type: none"> Reversal of the treatment of the notional LSVT receipt. (Reduction in housing expenditure and cost of services and overall reduction in net cost of services 	(837)		nil
<ul style="list-style-type: none"> Reversal of receipt – increase in 'other operating expenditure' 	837		
(nb: this did impact on several other notes to the accounts namely: note 7, note 9, note 16, note 26, and note 30)			

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 Accounting policy	n/a	Grant income	Accounting policy 10, updated to improve clarity of disclosure
2 Note 39	n/a	Operating leases	Explanation added for restatement of prior year
3 Note 6		Events after the reporting period	Note added that the Council house is to be formally marketed for sale, which could impact on the valuation of the asset
4 Note 6		Events after the reporting period	Narrative added to explain the impact of the retention of business rates
5 Note 30.1	n/a	Segmental reporting	Note added to highlight that the apportionment of support services is being done on a different basis to the prior year

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 to help us design appropriate audit procedures to assist us in forming that opinion. Controls have not been reviewed 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 concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. The matters summarised below are reported here because our IT audit was incomplete when we issued our audit plan to you. We have judged that these deficiencies do not compromise the overall control environment, but never the less are minor deficiencies in control and should be addressed.

	Assessment	Issue and risk	Recommendations
1.	●	<p>There is no documented Change Management Policy in place for IT system changes and no documented evidence of the controls implemented for the changes that have taken place on the network and applications during the year..</p> <p>The lack of documented change management procedures for staff to adhere to could result in changes not being effectively administered across the network, causing system down-time or even loss of financial data</p>	<p>IT should implement documented procedures for the change management process which will define how they will deal with both minor and major changes. This is to ensure that staff are dealing with changes as per the set process and traceability is maintained throughout.</p>

Assessment

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

Internal controls(cont.)

	Assessment	Issue and risk	Recommendations
2.	●	There is no formal review of access to the network on a regular basis.	There should be a formal review of user access to the network on a regular basis (e.g. quarterly) to ensure access is appropriate based on job functions
3.	●	A number of users were identified who had SYSTEM level access within the Agresso application who did not require it. This level of access allows users to perform a range of system administration tasks, for example the creation of users and the reallocation of permissions within the system	The number of users with SYSTEM level access should be reduced to the minimum number required. In addition Management should considering introducing a process to regularly review which users have access to the system and what access they have.
4.	●	There are 94 accounts within the Domain Administrators group, 28 of which are users and 66 of which are service accounts. There are a number of duplicate accounts . Accounts within the Domain Administrators group are able to perform privileged actions across the domain and increases the risk of unauthorised access being obtained	A review should be undertaken of the accounts within the Domain Administrators group.

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 Board and no material frauds have been disclosed . We have not been made aware of any other incidents in the period and 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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We are planning to issue an unqualified conclusion on the Council's arrangements for securing value for money.

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

Overall our work highlighted that the Council has good levels of balances which will provide some financial resilience given uncertain future funding streams. The Council is also taking steps to achieve recurring savings. Improvements in in-year forecasting and review of achievement of savings plans will help the Council to more accurately manage its out-turn.

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. Through the shared services and transformation programmes the Council is making changes to the operation of its services with the intention to improve economy efficiency and effectiveness of services. The new corporate priorities will help the Council to focus its resources in priority areas. A robust performance management framework and fully embedded risk management arrangements will support delivering the desired outcomes.

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>Financial Governance: Original budgets were set with some savings yet to be identified.</p>	<p>We reviewed the in-year budget reports and the outturn position as reported in the statement of accounts. The out-turn position was not accurately forecast in year, resulting in a large underspend. There was also a large underspend the previous year. The impact of this is to increase the level of balances to £3m .</p>	<p>Financial reports in 2013/14 are to include more detailed reporting of progress against savings plans. This should assist in forecasting the out-turn position but should also enable 'Those Charged with Governance' to have improved information to be able to understand the risks around delivering challenging savings plans .</p>
<p>Financial planning: absence of operational risk management arrangements may mean that decision makers may not have an up to date knowledge of risks and the financial implications</p>	<p>We reviewed financial reports to Members and discussed the arrangements for updating the risk register. We attended risk management training for Members.</p>	<p>Advisors have supported the Council in updating the risk register and to support more effective use of the risk management software. All departments now have current risk registers and the council now needs to fully embed a risk management culture. An updated risk register will be presented to Members in the Autumn and will reflect the new corporate priorities.</p>
<p>Financial planning: the medium term financial plan contains unidentified savings in the medium term</p>	<p>The Council has made reasonable assumptions about future funding and costs and plans reflect anticipated savings from shared services and Service Transformation.</p>	<p>The MTFP contains unidentified savings for 2014/15 and beyond.</p> <p>There has been no formal reporting of outturn savings against original plans , although some analysis has been undertaken by officers . This process helps management to fully understand which underspends are recurring or one-off, which would supports more accurate budgeting in subsequent years.</p> <p>The Council is currently assessing the affordability of future capital projects. Current balances would not cover the costs of these and assumed borrowing is reflected in the MTFP.</p> <p>The Council currently has a good level of general fund balances that provide some financial resilience.</p>

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Financial control: -Recurring underspends may be indicative of poor in year budgeting -Prioritising resources: decision making may not be based on up to date information</p>	<p>We have reviewed financial reports and discussed with officers the reasons for the budget variances . The Council is reviewing the content of on-going financial reports.</p> <p>Budget holders are aware of the need to deliver out turn savings and therefore some underspend against budget is to be expected.</p> <p>It is good practice that large savings plans are separately monitored to ensure the risks are clearly understood and managed.</p> <p>It is important that TCWG are provided with accurate information to support them in their decision making roles.</p>	<p>Officers recognise the importance of effective budgetary arrangements and the need for good communications between budget holders and accountants to ensure that budget reports reflect the most up to date information. This should result in more accurate in-year reports and a more predictable and managed financial outturn in 2013/14.</p>
<p>Prioritising resources – monitoring of the impact and implication of efficiency plans</p>	<p>Reports to the Shared Services Board provide commentary on the progress of shared services and other Transformation projects.</p>	<p>The Council has relatively recently agreed new corporate priorities. Performance measures that fit with these new priorities are currently being developed which will strengthen performance management arrangements. The council should be in a better position when setting the budget to match resources and target savings in priority and non priority areas.</p>
<p>Improving efficiency and productivity – use of information on unit costs and understanding of what has driven costs over time</p>	<p>The Council is undertaking an on-going programme of service reviews to improve their efficiency and effectiveness. Good practice sites have been visited as part off this review.</p>	<p>The Council should consider whether CIPFA indicators or other financial benchmarking could be effectively incorporated into these reviews.</p>
<p>Improving efficiency and productivity -Robust efficiency plans with detail of how they will be delivered -Inadequate arrangements to monitor achievement of efficiencies</p>	<p>The Shared Services Board reports summarise improvements in services as a result of reviews.</p> <p>There is currently no separate reporting of savings plans and delivery, although it is planned that budget reports will reflect this in the future.</p>	<p>The budget is set including aspirational savings to be delivered from Transformation and other measures. For the last 2 years the Council has delivered its outturn with large underspends which has resulted in the addition of £1m to general fund balances.</p> <p>Delivery of savings remains a key risk for the Council and this risk needs to be effectively managed with detailed savings pans built into the budget at the start of the year.</p>

Section 4: Fees, non audit services and independence

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We are planning to charge for the audit in line with the agreed audit plan issued to you in March 2013. This fee is consistent with the fee proposed by the Audit Commission on their website.

Fees, non audit services and independence

We confirm below our final fees charged for the audit

Fees

	Per Audit plan £	Actual fees £
Council audit	64,006	64,006
Grant certification	13,300	13,300
		00
Total audit fees	77,306	77,306

NB: The audit of grant claims is currently on-going, however we are not currently expecting to seek a variation to the fees planned. We will report to you separately the findings from our grants work.

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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Auditing standards require us to report certain matters to those charged with governance. The following section summarises these.

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure that the weaknesses highlighted on pages 16 and 17 in relation to IT security are addressed	M	Rcommendations1,3 and 4 have been implemented by August 2013	December 2013
2	The matters raised as residual risks in the VFM conclusion will be reported more fully in our detailed Financial resilience report, a draft of which has been issued to officers for comment. Members should monitor progress against these detailed recommendations.	H	Officers will consider and respond to this detailed report. The report and the action plan will be taken to the November cabinet and the Audit Board will track the implementation of these recommendations.	November 2013

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT COUNCIL

Opinion on the financial statements

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

Respective responsibilities of the Executive Director (Finance and Resources) and auditor

As explained more fully in the Statement of the Executive Director (Finance and Resources) Responsibilities, the Executive Director (Finance and 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.

- give a true and fair view of the financial position of Bromsgrove District 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, Bromsgrove District 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 Bromsgrove District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

Colmore Plaza
20 Colmore Circus
BIRMINGHAM
West Midlands
B4 6AT
28 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 in March.

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	No	None
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
Precepts and Levies	Council Tax	None		No	None

Audit findings

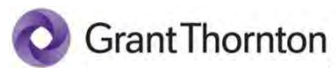
Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Investment properties: 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
Revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	The council has changed the accounting for notional housing receipts

Audit findings

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	PPE activity not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	None	Revaluation measurements not correct	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

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
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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