



# The Audit Findings for Swale Borough Council

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**Year ended 31 March 2013**

25th September 2013

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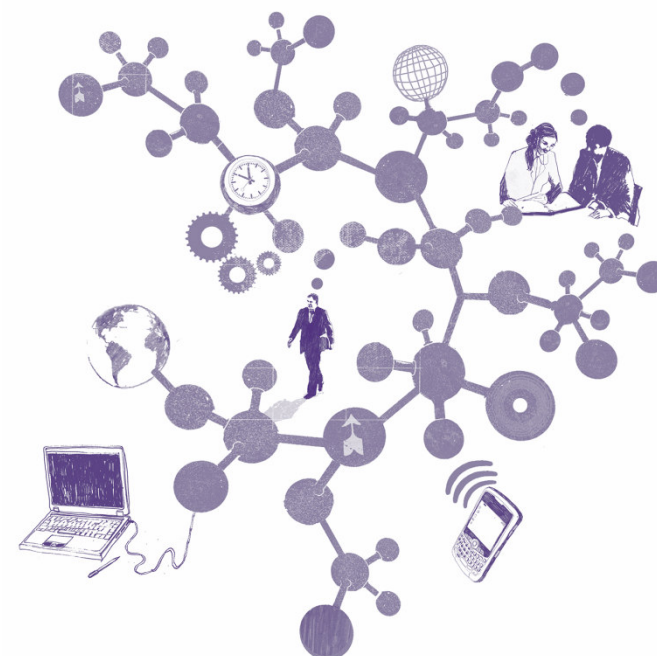
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is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

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# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Swale Borough Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 26<sup>th</sup> June 2013.

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

- completion of initial audit testing in respect of housing and council tax benefits

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and
- auditing the Council's Whole of Government Accounts return

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.

We have identified one adjustment to the statements. This relates to a classification error, and does not impact upon the Council's net expenditure or revenue balances. We have identified one unadjusted misstatement in relation to the netting off of VAT, this is well below our materiality level and again does not impact upon net expenditure or balances. We have also agreed a small number of changes to the disclosure notes to the accounts, to aid the clarity and presentation of the statements.

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

- The quality of the financial statements and working papers provided to support them was of a very high standard this year.
- There were no amendments arising from the audit which impacted on the Council's reported financial performance

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

### **Value for money conclusion**

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

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

### **Whole of Government Accounts (WGA)**

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

### **Controls**

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

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

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

### **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 Head of Finance.

### **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**  
**25<sup>th</sup> September 2013**

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## Section 2: *Audit findings*

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# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 26<sup>th</sup> June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 26<sup>th</sup> June 2013.

## **Audit opinion**

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



## 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><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journals entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>Activity level controls were identified and a walkthrough of the system was completed during the interim visit in January 2013.</li> <li>Attribute testing on material expense streams</li> <li>Assess the method of allocating/apportioning expenses to functional categories for compliance with the Service Reporting Code of Practice</li> <li>Cut-off testing</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Remuneration expenses not correct and payroll tax obligations understated	<ul style="list-style-type: none"> <li>Activity level controls were identified and a walkthrough of the system was completed during the interim visit in January 2013.</li> <li>Performance of attribute testing on payroll expenses</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Welfare expenditure</b>	Welfare benefits improperly computed	<ul style="list-style-type: none"> <li>Activity level controls were identified and a walkthrough of the system was completed during the interim visit in January 2013.</li> <li>Substantive testing of a sample of benefit claims</li> <li>Reconcile benefit expenditure to the benefit subsidy claim and assess the impact of any significant differences</li> <li>Complete benefit software diagnostic tool, updating checks and analytical review compared to prior year subsidy claim</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Our testing of welfare expenditure is in progress.</p>




## Audit findings against other risks (continued)

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
<p><b>Cash &amp; bank</b></p>	<p>Bank reconciliations not up to date</p>	<ul style="list-style-type: none"> <li>• Bank reconciliations were not up to date at the time of our interim visit in January 2013</li> <li>• We have reviewed the timely completion and management review of bank reconciliations up to the date of our final accounts audit.</li> </ul>	<p>Our audit work identified that bank reconciliations were now up to date and were being reviewed on a timely basis.</p>

# 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
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• Key revenue recognition policies include:                             <ul style="list-style-type: none"> <li>– Revenue for goods and services is recognised when performance occurs</li> <li>– Interest revenue is accrued on a time basis</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The policies adopted for revenue recognition are appropriate under the Council's accounting framework.</li> <li>• Our testing indicates that revenue for goods and services included in the financial statements has been calculated based on contributions and contract values.</li> <li>• Disclosure of accounting policies in the financial statements is in line with the recommended disclosures in the CIPFA Code of Practice on Local Government Accounting in the UK 2012/13 supported by International Reporting Standards.</li> </ul>	 <b>(Green)</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of capital equipment</li> <li>– Pension fund valuations and settlements</li> <li>– Revaluations and impairments</li> <li>– Provisions and Accruals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The policies adopted for accounting estimates are appropriate under the Council's accounting framework</li> <li>• Our testing indicates that estimates included in the financial statements have been calculated based on reasonable judgements and assumptions</li> <li>• The range of possible outcomes has been considered</li> <li>• Disclosure of accounting policies in the financial statements is in line with the recommended disclosures in the CIPFA Code of Practice on Local Government Accounting in the UK 2012/13 supported by International Reporting Standards.</li> </ul>	 <b>(Green)</b>
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	 <b>(Green)</b>

## Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

## Adjusted misstatements

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

### Impact of adjusted misstatements

The adjustment did not impact upon the reported financial position of the Council.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 3 components of the Sheerness Swimming Pool asset were classed as Vehicles Plant & Equipment in note 30, with a net book value totalling £725k. These should have been included within land and buildings.	0	0	0
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## Unadjusted misstatements

The table below provides details of an adjustment identified during the audit which has not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of the item recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 VAT debtor/creditor - at year end both a reserved debtor (£368k) and a reserved creditor (£110k) have been raised for input and output VAT. The Code requires (para 2.9.6) that a net balance should be recorded (ie £258k debtor)	n/a	Debtors -£110k Creditors - £110k	Proposed treatment is inconsistent with guidance elsewhere in the Code re offsetting of assets and liabilities
<b>Overall impact</b>		<b>£0</b>	

## 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	n/a	n/a	Some minor amendments were agreed to disclosure notes during the course of the audit. These were in respect of: Officers Remuneration (Note 26); Financial Instruments (Note 52); and Leases (Note 55). Some additions were made to the Glossary, and recommendations agreed for areas where the Annual Governance Statement could be enhanced for 2013/14.

## 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>Other than the sports development investigation reported to the Audit Committee on 26<sup>th</sup> June 2013, we have not been made aware of any incidents of fraud in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>



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## Section 3: Value for Money

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# Value for Money

## Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

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

- The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

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





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

In addition, we examined the Council's financial performance on selected financial key performance indicators in comparison to other similar councils. This focused on liquidity ratio, reserve levels, borrowing, sickness absence and performance against budget.

We have summarised our assessment against these four areas overleaf.

Overall our work highlighted that despite the challenging financial environment and sustained period of budgetary constraint the Council has continued to exercise a prudent medium term financial strategy. Financial planning and budget monitoring processes are robust, and savings targets were achieved in 2012/13 although targets for the next three years remain challenging, and further financial savings will need to be identified.

## Value for Money (continued)

Risk Area	Summary Observations	High Level Risk Assessment
Key Indicators of Performance	The Council's key financial indicators demonstrate a track record of strong performance and a healthy financial position. The working capital ratio is within the recommended range, the Council does not have any external borrowing, useable reserve levels are healthy and budgetary control is strong. The average working days lost to sickness are well below the national average.	 Green
Financial Planning	The Council has a track record of sound financial performance, and effective financial planning arrangements. The Medium Term Financial Plan clearly sets out savings plans and risks for the coming years. Zero based budgeting and option appraisals have been applied as part of the budget setting process,	 Green
Financial Governance	The Council has good arrangements for financial governance. A robust audit & scrutiny framework is in place, and is operating effectively	 Green
Financial Control	The Council has a strong track record on delivering budgets and savings plans, which is indicative of a robust financial control framework. Internal audit has given a positive opinion on controls for 2012/13 and this has been reflected in the positive results of the external audit of accounts.	 Green

### 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 and found this to be satisfactory.

### 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><b>Financial Resilience:</b>                      Since the Chancellor's Autumn statement in 2010, central government funding has been reducing year on year. This poses an increasingly significant challenge to the authority in balancing its budget in future years.</p>	<p>We have reviewed the Council's arrangements for securing financial resilience in 2012/13.</p>	<p>Our overall summary against the four arrangements areas we assessed is:</p> <ul style="list-style-type: none"> <li>• Key indicators of performance – Green</li> <li>• Strategic financial planning – Green</li> <li>• Financial Governance – Green</li> <li>• Financial Control – Green</li> </ul> <p>(see page 19)</p>
<p><b>Local government reforms</b>                      The Local Government Finance Act 2012 introduced amendments to council tax support arrangements and business rate retention. These changes increase the council's exposure to finance risks and could have a significant impact on the authority's funding</p>	<p>We have reviewed the Council's arrangements for introducing council tax support and business rate retention for 2013/14 onwards.</p>	<p>The Council has made appropriate arrangements to introduce the council tax support and business rate retention schemes. The Council has recognised the risk of uncertainty over reforms, particularly business rates, as a risk. These risks have been incorporated into required savings within the Medium Term Financial Plan.</p>
<p><b>Shared service arrangements</b>                      The Council has committed to a number of shared service arrangements with MKIP partners in recent years. These include Internal Audit, ICT and waste management. There is a risk that anticipated savings from these arrangements are not achieved.</p>	<p>We have reviewed the Council's arrangements in terms of monitoring partnerships, with particular attention to the waste management contract.</p>	<p>The Council has sound arrangements in place to monitor its partnerships. The savings arising from the waste management contract are a crucial element of the Council's medium term financial plans over the next few years, and these will need to be monitored closely if targets are to be achieved.</p>
<p><b>Community asset transfers</b>                      The Council is introducing a revised community asset transfer policy. There is a value for money risk if this does not accord with best practice.</p>	<p>We have followed up the recommendations contained in the external auditor's 2011/12 annual governance report in respect of the Council's policy for transferring assets to the local community. We have also reviewed the final grant agreement between the Council and Alexander Centre Trust CIC in relation to the transfer of the Alexander Centre.</p>	<p>The Council has adopted the recommendations outlined in the 2011/12 report. A sound community asset transfer policy is now in place, and this should enable good vfm to be obtained in the event of any future asset disposals. The grant agreement appears to contain reasonable provisions and warranties to secure the financial interests of the Council over the life of the agreement.</p>

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## Section 4: Fees, non audit services and independence

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## Fees, non audit services and independence

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

### Fees

	Per Audit plan £	Actual fees £
Council audit	80,085	80,085
Grant certification	13,050	*13,050
<b>Total audit fees</b>	<b>93,135</b>	<b>93,135</b>

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

### Fees for other services

Service	Fees £
None	Nil

### Independence and ethics

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

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

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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

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

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

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://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
<b>Our communication plan</b>		
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: Audit opinion

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWALE BOROUGH COUNCIL**

### **Opinion on the Authority financial statements**

We have audited the financial statements of Swale Borough Council for the year ended 31 March 2013 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 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 Swale Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed

### **Respective responsibilities of the Head of Finance and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Swale Borough Council 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, Swale Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Certificate**

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

Andy Mack, Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Grant Thornton House  
Melton Street  
Euston Square  
LONDON  
NW1 2EP

XX September 2013

## Appendix B: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

### Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 15<sup>th</sup> July 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other (Amber)	Operating expenses understated	No	None (Green)
Cost of services – employee remuneration	Employee remuneration	Other (Amber)	Remuneration expenses not correct	No	None (Green)
Costs of services – Housing & council tax benefit	Welfare expenditure	Other (Amber)	Welfare benefits improperly computed	No	None to date (audit work in progress) (Green)
Cost of services – other revenues (fees & charges)	Other revenues	None (Green)		No	None (Green)
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None (Green)		No	None (Green)
Precepts and Levies	Council Tax	None (Green)		No	None (Green)

## 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 (Green)		No	None (Green)
Pension Interest cost	Employee remuneration	None (Green)		No	None (Green)
Interest & investment income	Investments	None (Green)		No	None (Green)
Return on Pension assets	Employee remuneration	None (Green)		No	None (Green)
Impairment of investments	Investments	None (Green)		No	None (Green)
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None (Green)		No	None (Green)
Income from council tax	Council Tax	None (Green)		No	None (Green)
NNDR Distribution	NNDR	None (Green)		No	None (Green)
Revenue support grant and other Government grants	Grant Income <sup>9</sup>	None (Green)		No	None (Green)
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None (Green)		No	None (Green)

## 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 (Green)		No	None (Green)
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None (Green)		No	None (Green)
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None (Green)		No	None (Green)
Property, Plant & Equipment	Property, Plant & Equipment	None (Green)		No	None (Green)
Heritage assets & Investment property	Property, Plant & Equipment	None (Green)		No	None (Green)
Intangible assets	Intangible assets	None (Green)		No	None (Green)
Investments (long & short term)	Investments	None (Green)		No	None (Green)
Debtors (long & short term)	Revenue	None (Green)		No	None (Green)
Assets held for sale	Property, Plant & Equipment	None (Green)		No	None (Green)
Inventories	Inventories	None (Green)		No	None (Green)

## Audit findings

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



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