



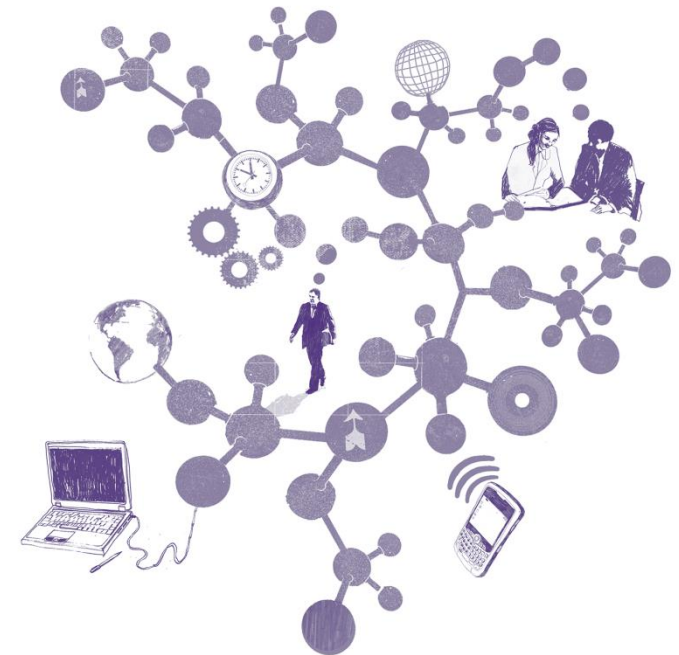
The Audit Findings for Swale Borough Council

Year ended 31 March 2014

September 2014

Andy Mack
Engagement Lead
T 020 7728 3299
E andy.l.mack@uk.gt.com

Trevor Greenlee
Manager
T 01293 554071
E trevor.greenlee@uk.gt.com



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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 2014. It reports our audit findings to officers 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 in our Audit Plan dated March 2014.

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

- testing of the Council's 2013/14 Housing Benefit subsidy claim. Our audit approach requires testing under the certification framework agreed between the Audit Commission and the Department of Work and Pensions to be substantially complete prior to giving our opinion on the Council's accounts

- review of the final version of the financial statements
- updating our post balance sheet events review to the date of signing our audit opinion
- work under the Whole of Government Accounts framework.

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

The financial statements have been produced to a high standard. Only a small number of audit amendments were required. Comprehensive working paper trails were provided to support the accounts. Officers have also revised this year's accounts to address the 'de-cluttering' agenda, with changes including the greater use of graphs, the use of new headings, and the reordering of disclosure notes to improve the presentation of the accounts for the reader. We commend officers for this approach and we will liaise with them going forward to consider further ways to improve the presentation and readability of the accounts.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

A number of minor amendments to the balance sheet have been made by officers. We have raised an issue which would potentially increase Swale's share of the debtor balance for council tax arrears by £430,000, although the accounts have not been adjusted. This amount is not material for our opinion. We have not identified any other adjustments requiring amendment to the primary financial statements.

We identified a small number of adjustments requiring amendments to disclosure notes. We also agreed a number of amendments to narrative notes.

Further details of our findings 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 officers are 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 we identify any control weaknesses as part of our testing 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.

Our recommendations are set out in the action plan in Appendix A.

Acknowledgment

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

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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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 performed and our findings from the audit risks we identified in our audit plan dated March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated in March 2014.

Audit opinion

We anticipate that we will provide the Council with an unqualified 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. There are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries 	<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 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
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of creditor balances to supporting documentation • Testing of new year payments to ensure expenditure had been posted to the correct accounting period 	We gained sufficient assurance to conclude that creditors were not materially misstated.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess whether those controls are designed effectively • Substantive testing of payroll information for a sample of employees to supporting documentation 	We gained sufficient assurance to conclude that employee remuneration expenses were not materially misstated.
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>(Work still in progress)</p> <ul style="list-style-type: none"> • Work required under the Audit Commission grant claim certification framework including review of a sample of benefit claims to ensure amounts have been correctly calculated. • Review reconciliation of welfare expenditure in the financial statements to the benefit subsidy claim 	There are no issues identified from the work completed to date which we need to bring to your attention.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue recognition policies are set out at Note 1 to the accounts 	<ul style="list-style-type: none"> Revenue recognition policies are adequately disclosed in the financial statements. In our audit we did not identify any areas of non compliance with the revenue recognition policy, nor did we identify any areas of significant judgement in the application of the policy. 	Green
Judgements and estimates	<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 revaluations impairments provisions 	<ul style="list-style-type: none"> The Council sets out its policies on judgements and estimates in Note 1 to the accounts. We reviewed these policies and concluded they were reasonable. Like most local authorities the Council adopts a cyclical approach to revaluing its assets. Assets in the class "Land and Buildings" are therefore not all revalued in the same financial year, and in this respect the Council does not comply with IAS16. This is fully disclosed in the Council's accounting policies. With this exception the Council's accounting policies are consistent with the CIPFA Code of Practice on Local Authority Accounting. We did not identify any instances of non compliance with those policies. The 2013/14 Code of Practice on Local Authority Accounting has clarified the requirements for valuing Property, Plant and Equipment (PPE), confirming that revaluations must be "sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period." We considered the Council's process for estimating the carrying value of those assets not subject to external revaluation in 2013/14. We concluded that the carrying value of those assets was not materially misstated. Under the new accounting framework for business rates introduced in 2013/14 billing authorities are required to estimate a provision for business rate appeals. The value of this provision in the collection fund accounts at 31 March 2014 was £2,414,000, of which Swale's share was £966,000. The Council's provision covers appeals received at 31 March 2014. The Council has not provided for potential future appeals, where it considers that a reliable estimate cannot be made; for these appeals the Council has disclosed a contingent liability. We have concluded that the Council's provision is not materially misstated. 	Green

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

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
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review has not highlighted any issues which we need to bring to your attention. 	Green

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

Following the audit a number of minor adjustments have been actioned by management and reflected in the amended accounts presented for members approval. None of these audit adjustments are above the level we are required to report to those charged with governance, other than for the disclosure issues noted on the following page.

Misclassifications & disclosure changes

The table below provides details of disclosure adjustments identified during the audit above the level we are required to report. We have also agreed a number of other minor changes and narrative amendments to improve the presentation in the accounts. Officers have agreed to amend disclosure in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	2,147	Note 30: Property, Plant & Equipment Assets	This note analyses movements for PPE under the headings "cost or valuation" and "accumulated depreciation and impairments". For both headings the balance at 31.3.14 for leased assets was overstated by £2,147,000 as refuse collection vehicles accounted for under embedded lease arrangements had not been written out when the waste management contract ended in 2013/14. As the vehicles had been fully depreciated there was no impact on Net Book Value.
2 Disclosure	194	Note 48: Finance Leases	The amounts for both "gross value" and "accumulated depreciation" were overstated as they did not agree to the underlying totals on the asset register.

Unadjusted misstatements

The table below provides details of adjustments identified which have not been made within the final set of financial statements. The Audit Committee is requested to approve management's proposed treatment.

Detail		£'000	£'000	Reason for not adjusting
1	The accounts include a debtor of £508,000 being Swale's share of total council tax arrears after this is apportioned across preceptors. The total for council tax arrears includes court and summons costs. However, court and summons costs are 100% recoverable by Swale. The debtor appearing in Swale's accounts should therefore be the full value of these costs (£477,000) together with Swale's share (£461,000) of the reduced total for arrears after apportioning across preceptors. Using this calculation Swale's share of the overall debtor in Swale's accounts at 31.3.2014 is understated by £430,000 and the share of the overall debtor by the preceptors would be reduced by the equivalent amount.			Officers recognise the basis for the suggested calculation. However, as the Accounting Code of Practice does not refer specifically to the treatment of court and summons costs they would like to obtain further technical guidance before changing the calculation.
Short Term Debtors	Dr	430		
Comprehensive Income & Expenditure Statement	Cr		430	
Movement in Reserves Statement	Dr	430		
Collection Fund Adjustment Account *	Cr		430	* Accounting entry currently proposed by officers subject to consideration of further technical guidance. We will liaise with officers to confirm the appropriate accounting entries.

Internal controls

- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control 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.
- Within the scope of our work we did not identify any significant issues to report to you.

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 been made aware of investigations and prosecutions during the year reported to the Audit Committee. We have not been made aware of any other incidents in the period. 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"> Disclosure issues above the level at which we are required to report have been recorded at "Misclassifications and disclosure changes". A number of other minor changes below the level at which we are required to report have been agreed with officers. We also agreed a number of amendments to narrative notes. Note 37 was amended to disclose the value of contractual commitments at 31.3.14 (£0) rather than budgeted capital expenditure of £3.3m. Note 41 includes a balance of £1,098,000 for Section 106 deferred revenue receipts. The whole of this balance is currently shown under current liabilities (i.e. liabilities falling due within one year) but officers have agreed that some amounts may be more appropriately disclosed as long term liabilities. Officers have agreed to perform further work to analyse this balance in 2014/15.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for money conclusion

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

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; 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 we concluded that the Council continues to have effective arrangements for financial management and budgetary control.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints within the current economic and funding environment.

We concluded that the Council continues to have an effective framework to address financial pressures. The Council will need to maintain this focus to deliver further financial savings over the medium term.

Our more detailed findings and Red/Amber/Green (RAG) ratings are at pages 22 and 23.

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 2014.

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council remains debt free. The total for cash-backed reserves, including the general fund balance, increased by £1,487,000 in 2013/14.</p> <p>The working capital ratio represents the extent to which current assets cover immediate liabilities. A ratio of less than one indicates potential liquidity problems. The Council's working capital ratio at 31 March 2014 was 2.1.</p>	Green
Strategic financial planning	<p>The Council has a three year Medium Term Financial Plan (MTFP) currently running to 2016/17. The plan has been updated in 2013/14 and there is clear linkage between the MTFP and the annual budget-setting process. The Council's policy is to use revenue reserves for one-off unexpected events and the MTFP does not anticipate the use of reserves to support revenue budgets over the lifetime of the plan.</p> <p>The Council's savings target for 2014/15 has already been achieved linked to the budget-setting process. The current MTFP identifies the need for additional savings of £1,170,000 in 2015/16 and a further £369,000 over and above this in 2016/17. Plans to deliver these savings are still being developed.</p> <p>The Council has a history of sound financial management. However, it continues to face significant financial pressures. It may become increasingly difficult to achieve efficiency savings over time, or require longer lead times to deliver more complex projects. Under the MTFP revenue budgets are substantially supported by New Homes Bonus funding and this income stream may reduce in future years. The Council has adequate arrangements, but it will need to maintain a strong focus on financial planning over the medium term to address these pressures.</p>	Green

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

Theme	Summary findings	RAG rating
Financial governance	Financial reporting and monitoring processes are well-established with regular reporting on in-year performance to the senior management team and Cabinet. Reporting is transparent with a clear commentary on risks and performance. The overall level and frequency of the reports supports effective monitoring. There is regular review of the Council's investment strategy and performance.	Green
Financial control	The Council continues to have an effective framework of financial control. There are well-established processes for preparing and monitoring annual budgets with detailed analysis of variances. Both revenue and capital budgets were underspent in 2013/14. The Council is also currently forecasting a revenue underspend for 2014/15. There are effective systems of control to ensure accounting systems produce reliable information.	Green
Prioritising resources	The Council has a strong record of delivering financial savings. It has delivered budget savings of £6762k in the four years to 2013/14 and further savings of £957k have been agreed for 2014/15.	Green
Improving efficiency & productivity	The Council continues to review the cost-effectiveness of services in the context of the MTFP and delivering efficiency savings. In 2013/14 substantial savings were delivered through joint contract arrangements for waste management services. There is a history of partnership working with other authorities.	Green

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, subject to completion of our work on grant claim certification.

Fees

	Per Audit plan £	Actual fees £
Council audit	80,085	80,985
Grant certification	13,200	11,616
Total audit fees	93,285	92,601

The additional audit fee of £900 is in respect of work on material business rates balances. This additional work is necessary as auditors are no longer required to carry out work to certify NNDR3 returns. The additional fee is 50% of the average fee previously charged for NNDR3 certifications at District Councils and is subject to agreement by the Audit Commission.

The reduction in grant certification fees relates to the certification of the housing benefit subsidy claim. The Audit Commission has agreed a reduction in fee of 12 per cent for all authorities to reflect the removal of council tax benefit from the scheme.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Review the treatment of court and summons costs when calculating the total of council tax arrears to be apportioned across preceptors.	Deficiency	Further technical advice as to the accounting treatment for this item will be sought and then the treatment of these costs in the accounts will be reviewed.	Chief Accountant 31 March 2015
2	Review the balance for Section 106 deferred revenue receipts to identify amounts which may be more appropriately disclosed as long term liabilities.	Deficiency	The review of the accounting treatment of these items will be carried out in time for the 2014/15 accounts.	Chief Accountant 31 March 2015

Appendix B: 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 2014 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 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 2013/14.

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 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 Swale Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, 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 2014.

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 2014



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