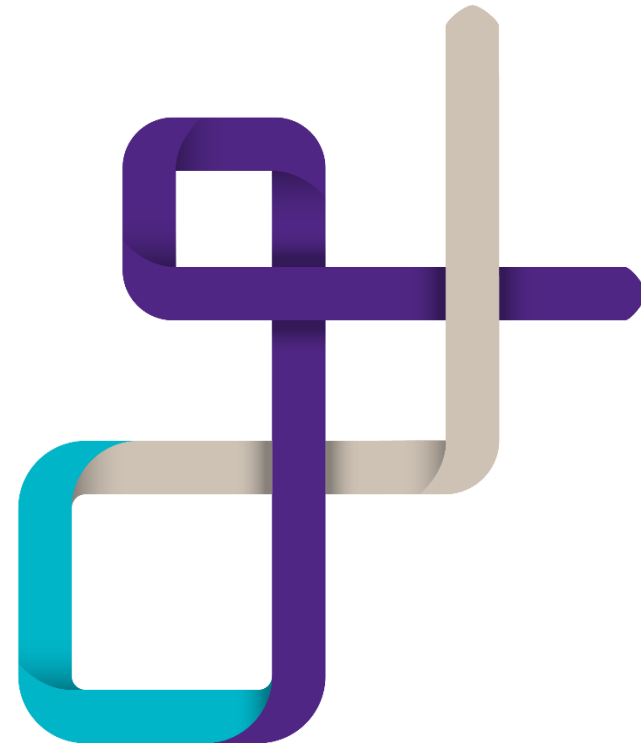


# Audit Findings

*Year ending 31 March 2018*

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Swale Borough Council  
July 2018



# Contents

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## Section

	<b>Page</b>
1. Headlines	3
2. Financial statements	5
3. Value for money	15
4. Independence and ethics	18

## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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# Headlines

This table summarises the key issues arising from the statutory audit of Swale Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and</li><li>have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit is substantially complete although we are finalising our procedures in the following areas:</p> <ul style="list-style-type: none"><li>reviewing evidence to support the valuations of the Council's leisure centres and swimming pools. Officers identified that a building on the site of the Swallows Leisure Centre had been omitted from the initial valuation. A revised valuation was obtained, but this process identified a separate calculation error by the Council's external valuer. We requested further information to support the valuations for similar assets, which has been provided by officers. Our review of this information is substantially complete and has not yet identified any material issue for our opinion. We have recommended that in future years the Council maintains up to date measurements of building and land areas for its large leisure assets and uses this information to support the valuation process.</li><li>obtaining and reviewing the management letter of representation;</li><li>reviewing a final version of the financial statements and Narrative Report; and</li><li>updating our post balance sheet events review to the date of signing our opinion.</li></ul> <p>As a result of the errors relating to the valuation of the Swallows Leisure Centre the value of property plant and equipment assets in the financial statements has been understated by £363,000. Management have concluded that the error is not material and the accounts have not been adjusted.</p> <p>We did not identify any other errors which required an adjustment to the Council's primary financial statements.</p> <p>Subject to the completion of outstanding work, we anticipate issuing an unqualified audit opinion.</p> <p>Subject to our final review we have also concluded that the other information published with the financial statements, which includes the Annual Governance Statement and the Narrative Report, is consistent with our knowledge of you and the financial statements we have audited.</p> <p>You successfully published your 2017/18 draft accounts ahead of the new accelerated deadline of 31 May 2018. The accounts were again prepared to a high standard and supported by very strong working paper trails. The finance team continues to be pro-active in reviewing the content and format of your financial statements and attempting to make them accessible to the general reader.</p>
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## Acknowledgements

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.

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# Headlines

This table summarises the key issues arising from the statutory audit of Swale Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

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<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>	<p>We have completed our risk based review of your value for money arrangements. We have concluded that you have proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit</li></ul>	<p>We have not exercised any of our additional statutory powers or duties.</p>

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## Acknowledgements

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.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

## Audit approach

Our audit approach was based on a thorough understanding of your business and is risk based, and in particular included:

- an evaluation of your internal controls environment including its IT systems and controls;
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

We have substantially completed our audit of your financial statements. Subject to the completion of outstanding work, we anticipate issuing an unqualified audit opinion.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

In our audit plan we determined overall materiality to be £1,711,000 (being approximately 2% of your gross revenue expenditure). Our materiality calculations remain the same as those reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,711,000	This has been calculated based upon 2% of your gross expenditure (Cost of Services) in the draft accounts.
Performance materiality	1,283,000	This has been calculated as 75% of materiality for the financial statements, based upon our assessment of the likelihood of a material misstatement. Performance materiality is used in audit testing and helps address the risk that there may be multiple errors which are individually below materiality but aggregate to a material amount.
Trivial matters	86,000	This has been calculated based upon 5% of your headline materiality.
Materiality for specific transactions, balances or disclosures	25,000	We concluded that for local authorities the disclosure on senior officer remuneration is potentially an area where there is added political sensitivity, and for this area we set a lower materiality of £25,000.

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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## Going concern commentary

### Management's assessment process

Management's assessment process is based on your financial planning framework. You have a detailed four year Medium Term Financial Plan (MTFP) covering the period 2018/19 to 2021/22, and an outline plan for 10 years.

### Auditor commentary

- you have a history of achieving financial savings plans and delivering services within budget
- you have a comprehensive medium term planning framework. The MTFP is updated annually and integrated with your annual budget processes
- management has concluded that it is appropriate to use the going concern basis of accounting.

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### Work performed

Detailed audit work performed on management's assessment

### Auditor commentary

- you have delivered a revenue budget surplus of £829,000 for 2017/18
- you have set a balanced budget for 2018/19
- you had total usable (cash-backed) reserves of £19,876,000 at 31.3.18
- your four-year MTFP forecasts that your general fund balance will remain above £3.8 million throughout the lifetime of the plan.

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### Concluding comments

### Auditor commentary

- we concluded that management's continued use of the going concern concept to prepare the financial statements remains appropriate. We did not identify any material uncertainty about your ability to continue as a going concern

# Significant audit risks

## Risks identified in our Audit Plan

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

## Commentary

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for the Council.

## Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

## Auditor commentary

Our audit work included;

- gaining an understanding of the accounting estimates, judgements applied and decisions made by management and considering their reasonableness;
- obtaining a full listing of journal entries, and identifying and testing unusual journal entries for appropriateness;
- evaluating the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks

## Risks identified in our Audit Plan

### Valuation of property, plant and equipment

You review the value of your land and buildings on an annual basis to ensure that carrying value is not materially different from current value. The valuation of property, plant and equipment represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

## Commentary

### Auditor commentary

Our audit work included:

- a review of management's processes and assumptions for the calculation of the estimate, including review of instructions issued to the valuation expert and the scope of their work;
- considering the competence, expertise and objectivity of the management experts used;
- reviewing the approach and assumptions of the valuation experts; and
- testing the revaluations made during the year to ensure they were input correctly into your asset register;

A number of the Council's largest leisure assets are valued on a Depreciated Replacement Cost (DRC) basis. These valuations involve calculations using the floor area of buildings and the land area of the site.

It was noted that the information on floor and land areas used by the Council's external valuer in 2017/18 was based on work from previous years, and that the Council did not have records of the original measurements.

We asked officers to estimate these measurements to help support the external valuer's calculations. In performing this work officers noted that Wyvern Hall, a building on the Swallows Leisure Centre site, had been omitted from the site valuation in error for a number of years.

An amended valuation for 2017/18 was obtained from the Council's external valuer. However, in performing this work the external valuer identified a separate error in their workings. This error led to the overall land area of the Swallows site, and therefore the value of the asset, being overstated.

We asked officers to provide further desktop measurements for all large assets valued on a DRC basis to allow for a review of the figures used by the external valuer. The Council has now provided this information. Our review of the information is substantially complete and has not yet identified any material issue for our opinion.

The net impact of the two errors in the Swallows Leisure Centre valuation was to understate the value of the asset by £363,000. Officers have concluded that this amount is not material and the accounts have not been amended.

We recommend that the Council maintains up to date records of building and land areas for assets valued on a DRC basis and that this information is provided to the external valuer in future years. This information should also be used to review the outcomes of the work of the external valuer.



# Significant audit risks

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## Risks identified in our Audit Plan

### Valuation of pension fund net liability

Your pension fund net liability as reflected on the balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

## Commentary

### Auditor commentary

Our audit work included:

- identifying the controls put in place by management to ensure that pension fund liabilities are not materially misstated;
- evaluating the competence, expertise and objectivity of the actuary who carried out your pension fund valuations;
- gaining an understanding of the basis on which the valuation was carried out and undertaking procedures to confirm the reasonableness of the actuarial assumptions made;
- checking the consistency of the information on pensions included in the financial statements with the report from your actuary; and
- obtaining assurance from the auditor of Kent County Council regarding the operation of controls in the pension scheme it administers on behalf of the Council.

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

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# Reasonably possible audit risks

## Risks identified in our Audit Plan

### Employee remuneration

Payroll expenditure represents a significant percentage of your operating expenses.

There is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of your operating expenses. Management uses judgement to estimate accruals of non-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

## Commentary

### Auditor commentary

Our audit work included:

- gaining an understanding of your system for accounting for payroll expenditure and evaluating the design of the associated controls;
- performing analytical review procedures to assess the completeness of payroll information in the accounts

Our audit work has not identified any issues in respect of employee remuneration.



### Auditor commentary

Our audit work included:




- gaining an understanding of your system for accounting for non-pay expenditure and evaluating the design of the associated controls;
- testing the completeness of non-pay expenditure and creditor balances

Our audit work has not identified any issues in respect of operating expenses.




# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>Your policy is disclosed at Note 1.</p> <ul style="list-style-type: none"> <li>Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;</li> <li>Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;</li> <li>Revenue relating to such things as council tax, business rates, etc. shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue recognition policies were adequately disclosed in the draft financial statements.</li> <li>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.</li> </ul>	 <b>Green</b>
<b>Judgements and estimates: Pension Fund Net Liability</b>	<ul style="list-style-type: none"> <li>Estimation of the net liability to pay pensions depends on a number of complex judgements. Actuaries are engaged to provide you with expert advice about the assumptions to be applied.</li> </ul>	<ul style="list-style-type: none"> <li>Your accounting policies are adequately disclosed and appropriate under the accounting framework which applies to you.</li> </ul>	 <b>Green</b>




## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates: Valuation of PPE</b>	<ul style="list-style-type: none"> <li>Your PPE asset classifications are revalued periodically on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors</li> </ul>	<ul style="list-style-type: none"> <li>Your accounting policies are adequately disclosed and appropriate under the accounting framework which applies to you.</li> </ul>	 <b>Green</b>
<b>Judgements and estimates: Other</b>	<ul style="list-style-type: none"> <li>Other key estimates and judgements include;               <ul style="list-style-type: none"> <li>accruals</li> <li>provisions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Your accounting policies in these areas are adequately disclosed and appropriate under the accounting framework which applies to you.</li> </ul>	 <b>Green</b>
<b>Other critical policies</b>		<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</li> </ul>	 <b>Green</b>

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have not been made aware of any significant incidents 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 related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3 <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.</li> <li>We have not identified any other incidences of non-compliance with relevant laws and regulations from our audit work.</li> </ul>
4 <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from you.</li> </ul>
5 <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We seek external confirmations from the relevant banks and financial institutions to support our review of your cash and investment balances.</li> <li>We received positive confirmation for all balances other than for one request where a response was not received. For this balance we obtained assurance from alternative procedures. There are no issues to report to you.</li> </ul>
6 <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7 <b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>We did not encounter any significant difficulties during our audit.</li> </ul>

# Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① <b>Other information</b>	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated..</li> <li>We did not identify any inconsistencies.</li> </ul>
② <b>Matters on which we report by exception</b>	<p>We are required to report on matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
③ <b>Specified procedures for Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</li> <li>Detailed work is not required as the Council does not exceed the threshold specified by NAO.</li> </ul>
④ <b>Certification of the closure of the audit</b>	<ul style="list-style-type: none"> <li>We intend to certify the closure of the 2017/18 audit in the audit opinion, as detailed in Appendix D.</li> </ul>

# Value for Money

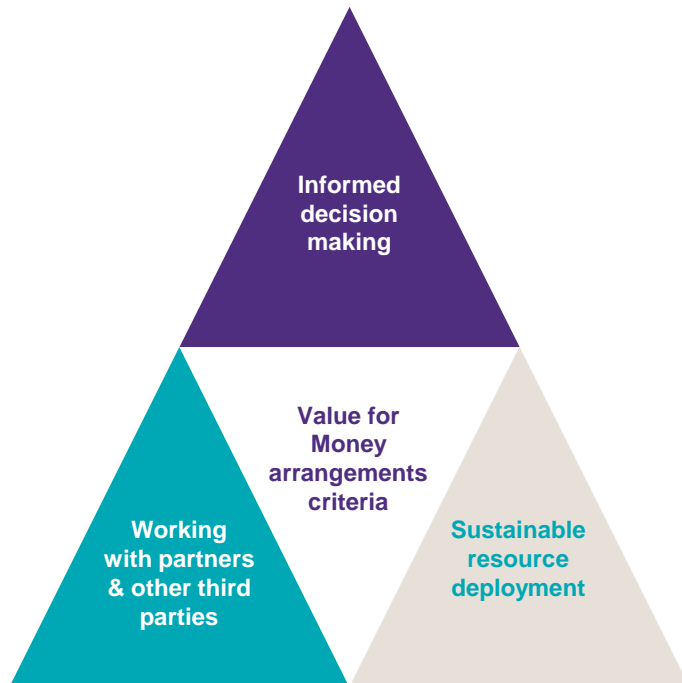
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment to identify significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We identified one significant risk in relation to financial sustainability and communicated this risk to you in our Audit Plan dated February 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the one significant risk we identified from our initial and ongoing risk assessment.

# Value for Money

## **Our work**

AGN 03 requires us to disclose our views on significant qualitative aspects of your arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the one significant risk that we identified in your arrangements. In arriving at our conclusion, our main considerations were:

- Your financial performance in 2017/18, including the underspend against revenue budget
- The level of revenue reserves available to address risks and support future spending plans.
- Your strong financial planning framework based on 4 year medium term financial plan (MTFP)

## **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report can be found at Appendix D.

## **Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## **Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.



## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and any further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 You continue to face financial pressures associated with reductions in government funding.</p> <p>The continued strength of your financial planning framework is key to maintaining a sustainable financial position whilst delivering your key objectives over the medium term.</p> <p>We will update our understanding of your medium term financial planning framework and review the supporting information trails.</p>	<p>You have a history of sound financial management. In recent years you have achieved regular annual underspends against revenue budget, including an underspend of £829,000 for 2017/18. Your most recent financial forecast indicates that you are again anticipating an underspend against budget in 2018/19.</p> <p>You continue to have a robust financial planning framework. You have taken action in previous years both to achieve financial savings and develop new income streams, and this is reflected in your medium term financial planning framework, which shows an improving financial position over future years in part due to increasing rental income from the Spirit of Sittingbourne regeneration project. The MTFP is updated annually and closely aligned with the budget-setting process. A review of supporting trails shows that it is based on a comprehensive consideration of the relevant income and expenditure streams.</p> <p>In the short term you continue to face significant financial pressures, with the need to manage both reductions in central government funding and increasing cost pressures in a number of service areas, including homelessness. You have made a limited contribution of £316,000 from reserves to support the 2018/19 budget.</p> <p>Historically you have benefited from significant growth in business rates income, and you are also likely to benefit substantially from membership of the Kent business rates pilot. You recognise that uncertainty over the future framework for business rates funding is an issue for financial planning. However, you have established a reserve to help manage any volatility in the levels of future income from business rates.</p>	<p><b>Auditor view</b></p> <p><b>We concluded that the risk we identified was sufficiently mitigated and that you have proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</b></p>

# Independence and ethics

## **Independence and ethics**

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.


Details of fees charged are detailed in Appendix C

## **Audit and Non-audit services**




For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified.

# Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and will report on progress with the recommendation during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>1  <b>Amber</b></p>	<ul style="list-style-type: none"> <li>The Council does not have records of original floor and land area measurements to support asset valuations.</li> </ul>	<ul style="list-style-type: none"> <li>The Council should maintain up to date measurements of building and land areas for assets valued on a DRC basis and provide this information to the external valuer in future years. The information should also be used to review the outcomes of the work by the external valuer.</li> </ul> <p><b>Management response</b></p>

## Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

We have no adjusted misstatements to report.

## Misclassification and 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	Detail	Auditor recommendations	Adjusted?
Disclosure	<ul style="list-style-type: none"> <li>We agreed a number of minor amendments to disclosure notes.</li> </ul>	<ul style="list-style-type: none"> <li>Management agreed to action the amendments on the final version of the financial statements .</li> </ul>	✓

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Balance Sheet £' 000		Impact on total net expenditure £'000	Reason for not adjusting
1 Valuation of PPE assets understated	PPE	363		<ul style="list-style-type: none"> <li>Management have concluded that the issue is not material</li> </ul>
	Reserves	(363)		
<b>Overall impact</b>		<b>0</b>	<b>363</b>	

## Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements to report..

# Fees

We confirm below our final fees charged for the audit. We did not undertake any non audit or audit-related services.

## Audit Fees

	Proposed fee £	Final fee £
<b>Council Audit</b>	60,739	60,739
<b>Grant Certification</b>	23,626	TBC
<b>Total audit fees (excluding VAT)</b>	<b>84,365</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

# 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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Swale Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Annual Financial Report set out on pages 4 to 19, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

**Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Financial Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

**Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities [set out on page 21], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources****Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing 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.

**Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and



local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Signature

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

30 Finsbury Square  
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xx July 2018



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