



The Audit Findings for Swale Borough Council

Year ended 31 March 2020

November 2020



Contents



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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 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 findings and other matters 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 2020 for the Audit Committee (those charged with governance).

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. Remote working arrangements were introduced from late March 2020 and the Council has been required to take on significant additional responsibilities, including those relating to grant administration. There has also been an increasing focus on dealing with the long-term impacts of the pandemic, including the impact on the Council's financial position and wider recovery planning.</p> <p>The national deadline for the preparation of the 2019/20 financial statements was extended to 31 August 2020, and for the publication of audited financial statements to 30 November 2020. The Council published its draft financial statements on 29 June 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit. We issued an audit plan addendum in August 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19. Further detail is included at page 7.</p> <p>The pandemic has also had an impact on our wider working arrangements. Following the government's announcement on Monday 16 March 2020 we closed our Grant Thornton offices. All members of the audit team have therefore worked remotely throughout the audit. This environment has meant that the audit has taken longer to complete, with screen-sharing and other procedures required to obtain appropriate supporting evidence trails.</p> <p>Additional work has also been required in 2019/20 to address the issues outlined in our January 2020 audit plan, including the increased depth and challenge of work now required by the Financial Reporting Council in areas such as the valuation of property plant and equipment and the Council's net pension liability.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and the 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 work has been completed in the period September – November 2020 .</p> <p>Our audit is substantially complete although we are finalising our procedures in the following areas;</p> <ul style="list-style-type: none"> • final review and audit quality procedures • obtaining and reviewing the management letter of representation; • reviewing a final version of the financial statements and Narrative Report; and • updating our post balance sheet events review to the date of signing our opinion.

Headlines

This table summarises the key findings and other matters 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 2020 for those charged with governance.

Financial Statements

Material valuation uncertainty – Emphasis of Matter

You have disclosed at Note 4 to the accounts that all valuations in respect of the Council's property, plant and equipment (PPE) and investment properties, and the Council's share of property assets in the Kent Pension Fund, should be reported at 31 March 2020 on the basis of "material valuation uncertainty".

You have a long term investment holding in the CCLA local authorities property fund. Note 4 also discloses that at 31.3.20, dealing in this fund had been suspended due to the impact of the pandemic on the market conditions for underlying properties.

Where such disclosures are included in financial statements we consider if we need to include an Emphasis of Matter paragraph. This is not a qualification or modification of the auditor's report, but is used to draw the reader's attention to a matter which, in the auditor's judgement, is of such importance that it is fundamental to the users' understanding of the financial statements.

We have concluded that our audit opinion on your 2019/20 financial statements should include an Emphasis of Matter drawing attention to your disclosure of material valuation uncertainty in respect of the Council's property assets. This is consistent with the approach for our other local government audits.

Other issues

Our work identified that the valuation for one asset had been understated by £778,000 due to the omission of an accrual. We also identified that the valuation for another asset had been understated by £333,000 due to an error in the underlying calculations. In both cases management agreed to amend the accounts.

We also agreed a number of minor changes to disclosure notes.

We concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Subject to the completion of outstanding work, we anticipate issuing an unqualified audit opinion.

As in previous years the standard of the Council's draft financial statements was high. The working papers produced by the finance team to support the accounts were also of a high standard. This performance was especially commendable given the challenging environment created by the pandemic.

Headlines

This table summarises the key findings and other matters 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 2020 for those charged with governance.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements.

You are currently modelling the impact of the pandemic on the Council's Medium Term Financial Plan (MTFP), and have identified a number of risks to the Council's position associated with the additional costs and loss of income arising from the pandemic.

You are now likely to face significant financial pressures in future years. You will therefore need to regularly review the planning assumptions supporting the MTFP, and take early action to address budget gaps to maintain a sustainable financial framework over the medium term.

We concluded that you continue to have proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit, particularly given the additional issues associated with remote working as a result of the pandemic.

Audit approach

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) and the Code, 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 the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures

We issued our Audit Plan in March 2020. We issued an addendum to our audit plan in August 2020 to reflect our response to the Covid-19 pandemic.

Conclusion

We have substantially completed our audit of the Council's 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. The table below gives details of our determination of materiality for the Council.

	Council (£)	
Materiality for the financial statements	1,565,000	This has been calculated based upon 1.93% of your gross expenditure (Cost of Services) in the draft accounts.
Performance materiality	1,173,000	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	78,000	This has been calculated based upon 5% of your headline materiality
Materiality for bank and cash balances	500,000	We design our procedures to detect errors in specific accounts at a lower level of precision. We concluded that any error relating to bank and cash balances might have added significance for the accounts as a whole. We therefore applied a lower level of materiality of £500,000 for our work in this area.

Significant audit risks

Risks identified in our Audit Plan

Covid- 19

Auditor commentary

We have:

- worked with management to understand the implications of the response to the Covid-19 pandemic on the Council's ability to prepare the 2019/20 financial statements and other financial information;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

The Council moved to a remote working environment in late March 2020. However, there has been no indication of high sickness levels, changes in roles and responsibilities or IT systems issues with a significant impact on the workings of the finance team. We noted the Council published draft accounts on 29 June 2020. We assessed the implications for our materiality calculations, and concluded that no changes were required to the basis for determining materiality reported in our March 2020 Audit Plan.

The revenue cycle includes fraudulent transactions

In our March 2020 Audit Plan we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council. We determined that the risk of fraud arising from revenue recognition could 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 Swale Borough Council, mean that all forms of fraud are seen as unacceptable.

There are no changes to the assessment reported in our Audit Plan.

Significant audit risks

Risks identified in our Audit Plan Auditor commentary

Management override of controls Auditor commentary

We have:

- evaluated the design effectiveness of management controls over journals;
- identified and tested unusual journal entries for appropriateness;
- gained an understanding of the accounting estimates, judgements applied and decisions made by management, and considered their reasonableness;
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

We considered the disclosures on estimation uncertainty relating to the pandemic and agreed a number of changes with management. We also agreed that a reference to the impact of the pandemic would be added to the disclosure on events after the reporting period. We noted that the Narrative Report included a commentary on the wider impact of the pandemic on the Council's services and financial position. We concluded that the accounts included adequate disclosures relating to Covid 19.

Our audit work has not identified any other issues in respect of this risk.

Valuation of land and buildings

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation experts;
- written to the valuers to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the authority's asset register;
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

We identified a number of issues from our work on the valuation of land and buildings. These are reported at "Significant findings: Key estimates and judgements"

Significant audit risks

Risks identified in our Audit Plan

Valuation of the pension fund net liability

Auditor commentary

We have

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PWC (as auditor's expert) and performed any additional procedures suggested within the report.
- obtained assurance from the auditor of the Kent Pension Fund (KPF) on the validity and accuracy of the membership, contributions and benefits data provided by KPF to the actuary, and used by the actuary to calculate the Council's net pension liability.

We identified a number of issues from our work on the valuation of the pension fund net liability. These are reported at "Significant findings: Key estimates and judgements".

Other audit risks

Risks identified in our Audit Plan

International Financial Reporting Standard (IFRS) 16 Leases –(issued but not adopted)

Auditor commentary

IFRS16 will replace IAS 17 “Leases” and the three interpretations that supported its application. Under the new standard the current distinction between operating and finance leases is removed for lessees. Subject to certain exceptions lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.

In our March 2020 Audit Plan we noted that the public sector intended to implement IFRS16 from 1 April 2020.

With the pressures arising from the Covid-19 pandemic the implementation of IFRS16 has been deferred to 2021/22. The Council has disclosed this change at Note 3, “Accounting Standards Issued, not adopted”.

The Council will need to assess the potential impact of the new standard in 2021/22 and disclose this in the 2020/21 financial statements.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals: £4,052,000	<p>Under the accounting policy at Note 2(t) the Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but where there is uncertainty as to the amount or the date on which they will arise.</p> <p>The Council has assessed the potential liability of valuation appeals arising from business rate premises in respect of monies received up to 31 March 2020. That element of the provision relating to the 2010 rating list is based on a case by case assessment using information received from the Valuation Office Agency and an external firm, Analyse Local. That element of the provision relating to the 2017 list is based on applying a percentage of Rateable Value based on central guidance, but subject to varying this rate locally for certain types of business premises or property.</p>	<p>We reviewed the calculations supporting the NNDR appeals provision at 31 March 2020. We concluded that;</p> <ul style="list-style-type: none"> the underlying information used to determine the estimate appeared appropriate; there were no significant changes to the basis of estimation compared with the previous year; the approach was consistent with that of other local authorities; the estimate was adequately disclosed in the financial statements. <p>We concluded that management's estimation process was appropriate.</p>	 Green
Debtors: Impairment allowance: £3,043,000	<p>The Council makes an impairment allowance for debtor balances taking into account the size and age of the debt outstanding and the likelihood of recovery.</p>	<p>We reviewed the calculation of the Council's impairment allowance for debtor balances at 31 March 2020. We concluded that;</p> <ul style="list-style-type: none"> the underlying information used to determine the estimate appeared appropriate; there were no significant changes to the basis of estimation compared with the previous year; the approach was consistent with that of other local authorities; the estimate was adequately disclosed in the financial statements. <p>We noted that the impairment allowance had not been adjusted to take into account the impact of the pandemic, as management consider it is too early to assess the extent of any adverse impact on the collectability of debt. We recommend that this is assessed as part of 2020/21 accounts closedown procedures.</p>	 Orange

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<p>PPE Land & Buildings, Net Book Value: £53,966,000</p> <p>Surplus Land & Buildings: £2,179,000</p> <p>Investment Properties £3,568,000</p>	<p>The Council's accounting policy for Property, Plant and Equipment (PPE) assets (including surplus land and buildings) is at Note 2(p); the accounting policy for investment properties is at Note 2(l). Both policies cover accounting and valuation issues.</p> <p>The Council revalues its PPE assets using a 5-year rolling programme, but with all major assets revalued annually. All investment properties are also revalued annually. The total value of PPE and surplus assets revalued in 2019/20 was £51,705,000. The total value of investment properties revalued in 2019/20 was £3,568,000.</p> <p>For assets not revalued by the external valuer management review the carrying value included in the financial statements to ensure that this is not materially misstated. We reviewed management's approach and concluded that this was appropriate.</p>	<p>We identified a significant audit risk in respect of the valuation of land and buildings.</p> <p>We identified a number of issues from our work on the valuation of land and buildings. These are reported below.</p> <p>Valuation of non-current assets – disclosure of material valuation uncertainty</p> <p>The outbreak of Covid-19 has created volatility and uncertainty in markets. As a result RICS instructed its member firms to consider including additional disclosure within valuation reports, and if valuations should be reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. In these circumstances valuers advise that less certainty and a higher degree of caution should be attached to valuations than would normally be the case.</p> <p>All of the Council's property valuations in 2019/20 have been performed by an external valuer. The external valuer reported all property valuations on the basis of 'material valuation uncertainty'.</p> <p>The Council also has a long term investment holding in the CCLA property investment fund. Dealing in the fund was suspended in March 2020 as market conditions had created material uncertainty in the valuation of the fund's assets.</p> <p>Management has considered this information when preparing the financial statements. They concluded that all valuations in respect of the Council's PPE and investment property assets, and the Council's holding in the CCLA property investment fund, should be reported on the basis of "material uncertainty". The relevant disclosure is at Note 4 to the accounts ("Estimation uncertainty – Coronavirus assumptions")</p> <p>Where such disclosures are included within financial statements, auditors consider the need to include an 'emphasis of matter' paragraph within their audit report. An emphasis of matter is not a qualification or modification of the auditor's report, but is used to draw the reader's attention to a matter that has been appropriately presented or disclosed in the financial statements and which, in the auditor's judgement, is of such importance that it is fundamental to the users' understanding of the financial statements.</p> <p>We have concluded that our audit opinion on the Council's 2019/20 financial statements should include an Emphasis of Matter drawing attention to the material valuation uncertainty disclosed at Note 4.</p>	 Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary
<p>PPE Land & Buildings, Net Book Value: £53,966,000</p> <p>Surplus Land & Buildings: £2,179,000</p> <p>Investment Properties £3,568,000</p>		<p>PPE additions – settlement payment to Spirit of Sittingbourne LLP</p> <p>In December 2019 you terminated your development agreement with Spirit of Sittingbourne PLC (SoS PLC). As part of the termination agreement you made a payment to the company. In your financial statements this payment has been treated as capital expenditure and accounted for as an addition to PPE assets.</p> <p>We considered the accounting treatment for this transaction. The original development agreement stipulated that, as part of a proposed residential development, three areas of land would transfer to SoS PLC if certain conditions were met. However in late 2019 the Council wished to investigate alternative options for these sites. Management's view was that as at October 2019 the conditions stipulated under the original agreement had been satisfied, and therefore the land would fall to be transferred to the company. By negotiating a settlement payment and ending the agreement the Council was able to retain control of these assets.</p> <p>Under IAS 16b the costs of an item of property, plant and equipment include "any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management". We noted that in late 2019 the Council wished to investigate alternative options for these sites, including affordable housing. We noted that, if the agreement had not been terminated, the land would have been transferred outside of the Council's control and that the sites could not have been used for other purposes. We also noted that the settlement payment was not a material transaction in the accounts.</p> <p>In October 2019 management reported that the estimated value of the three sites which would transfer to SoS PLC exceeded the amount of the settlement payment. We noted that at 31 March 2020 the three sites were valued by the external valuer at an aggregate value lower than the settlement.</p> <p>We concluded that there was no material issue for our opinion.</p> <p>Valuation of Fountain Street land assets</p> <p>The Council owns land at Fountain Street, Sittingbourne. The asset register includes three adjacent parcels of land variously described as "Fountain Street".</p>

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary
<p>PPE Land & Buildings, Net Book Value: £53,966,000</p> <p>Surplus Land & Buildings: £2,179,000</p> <p>Investment Properties £3,568,000</p>		<p>All three parcels of land were valued by the Council's external valuer at 31 March 2020. One parcel of land has been valued as a site for possible residential development, noting that there is also the potential for it to be used for affordable housing. The two other sites have been valued on the basis that they sit within the Sittingbourne redevelopment area, but without any more explicit link to future housing development. The sites have therefore been valued on different bases. We challenged this approach and the potential impact on asset valuations.</p> <p>All three sites are small. Currently there is no detailed development plan in place for these sites. The valuer has provided an estimate of the potential impact on valuations if all three sites were valued on the same basis, taking into account their potential for affordable housing use, at different housing densities. Using this estimate the aggregate value of the three land parcels would increase, but any increase in value would not be material.</p> <p>We concluded that there was no material issue for our opinion.</p> <p>PPE additions – omitted accrual</p> <p>We noted that an accrual for capital expenditure totalling £778,000 had been omitted from the accounts. The total for PPE was therefore understated by this amount. Management agreed to amend the accounts.</p> <p>Valuation of Swallows Leisure Centre: Error in the calculation of building replacement costs</p> <p>The Council's leisure centres are valued on a Depreciated Replacement Cost (DRC) basis. This methodology requires an estimate of the building costs required to replace the building. Typically the calculation requires the application of a "location factor" which reflects the cost profile for the local geographical area.</p> <p>All DRC valuations are performed by the Council's external valuer. The valuation for the Swallows Leisure Centre used a location factor of 1.02 in calculating building costs. However, information from the external valuer indicated that a "Kent" location factor was used for the other DRC valuations, and that at 31 March 2020 this location factor was 1.07. The impact of using 1.02 for the Swallows Leisure Centre was to reduce the value of the asset by £333,000. We challenged whether the location factor used for the valuation of the Swallows leisure Centre was appropriate.</p> <p>It was agreed that the Kent-wide location factor should be used in calculations for all of the DRC valuations. The accounts have been amended.</p>

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																															
Net pension liability – £55.2m	<p>The Council's net pension liability at 31 March 2020 is £59,027,000 (PY £57,367,000). The Council is a member of the LGPS as operated through the Kent Pension Fund. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities under the scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We assessed your actuary, Barnett Waddingham, to be competent, capable and objective; We have used the work and report of a consulting actuary (as an auditor's expert) to consider whether your actuary's method of calculating the estimate, including the roll forward approach, is reasonable; We carried out analytical procedures to conclude on whether the Council's share of the LGPS pension assets and liabilities was reasonable; We concluded that the information used by the actuary was complete and accurate; The auditors' expert has assessed the assumptions made by your actuary and identified indicative ranges for assumptions. There were no issues arising. 																															
<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value used for Swale BC</th> <th>Expected range per the auditor's expert</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.35%</td> <td>2.35%</td> <td></td> </tr> <tr> <td>Pension increase rate</td> <td>2.0</td> <td>Pension increase set at CPI. For CPI, a 2% increase falls within the expected range.</td> <td></td> </tr> <tr> <td>Salary growth</td> <td>3.0</td> <td>CPI (2.0%) + 1.0%</td> <td></td> </tr> <tr> <td>Life expectancy – Males currently aged 45</td> <td>23.2</td> <td>22.8-24.7</td> <td rowspan="2"></td> </tr> <tr> <td>aged 65</td> <td>21.8</td> <td>21.4-23.3</td> </tr> <tr> <td>Life expectancy – Females currently aged 45</td> <td>25.2</td> <td>25.2-26.2</td> <td rowspan="2"></td> </tr> <tr> <td>Aged 65</td> <td>23.7</td> <td>23.7-24.7</td> </tr> </tbody> </table>	Assumption	Actuary value used for Swale BC	Expected range per the auditor's expert	Assessment	Discount rate	2.35%	2.35%		Pension increase rate	2.0	Pension increase set at CPI. For CPI, a 2% increase falls within the expected range.		Salary growth	3.0	CPI (2.0%) + 1.0%		Life expectancy – Males currently aged 45	23.2	22.8-24.7		aged 65	21.8	21.4-23.3	Life expectancy – Females currently aged 45	25.2	25.2-26.2		Aged 65	23.7	23.7-24.7			
Assumption	Actuary value used for Swale BC	Expected range per the auditor's expert	Assessment																														
Discount rate	2.35%	2.35%																															
Pension increase rate	2.0	Pension increase set at CPI. For CPI, a 2% increase falls within the expected range.																															
Salary growth	3.0	CPI (2.0%) + 1.0%																															
Life expectancy – Males currently aged 45	23.2	22.8-24.7																															
aged 65	21.8	21.4-23.3																															
Life expectancy – Females currently aged 45	25.2	25.2-26.2																															
Aged 65	23.7	23.7-24.7																															

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
Net pension liability – £55.2m	<p>Property assets within the Kent Pension Fund at 31 March 2020: Reporting of material valuation uncertainty</p> <p>The Council's holdings of assets in the Kent Pension Fund are analysed at Note 9 to the accounts. Property assets account for 14% of the total assets, with a value of £10,083,000 at 31 March 2020.</p> <p>Management's understanding is that the 2019/20 accounts for the Kent Pension Fund will include a 'material valuation uncertainty' disclosure in respect of directly held property and pooled property investment valuations. This is also our understanding from our communication with the auditors of the Kent Pension Fund. We have also been informed that the auditor of the Kent Pension Fund will include an emphasis of matter drawing attention to this disclosure.</p> <p>The identification of a material valuation uncertainty in the accounts of the Kent Pension Fund is also relevant to the Council's accounts, as the Council's share of property-related assets is material. Any material valuation uncertainty disclosed in the accounts of the Kent Pension Fund will therefore also need to be disclosed in the Council's accounts.</p> <p>We have agreed with management that the disclosure of "material valuation uncertainty" for these assets will be included at Note 4. We will draw attention to this disclosure through an Emphasis of Matter in our audit opinion.</p> <p>McCloud: Government consultation on remedy</p> <p>In December 2018 the Court of Appeal ruled that provisions in some public sector pension schemes were discriminatory on the basis of age, the so-called "McCloud" judgement. In June 2019 the Supreme Court refused the government permission to appeal against the judgement.</p> <p>This ruling has implications for other pension schemes, including the Local Government Pension Scheme (LGPS), and gives rise to additional pension scheme liabilities for the Council. The Council's actuary has estimated that the impact of the ruling is to increase the Council's overall pension liabilities at 31 March 2020 by £861,000. This has been accounted for as a past service cost in the 2019/20 financial statements (Note 9).</p> <p>A consultation by HM Treasury on the next phase of the Government's response to address this discrimination commenced in July 2020 and is currently in progress. This further information on remedy is an event that meets the definition of a non-adjusting post balance sheet event.</p>	<p style="text-align: center;">● Green</p> <p style="text-align: center;">● Orange</p>

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
<p>Net pension liability – £55.2m</p>	<p>Our general understanding is that the remedy will potentially lead to a reduction in liabilities relative to the original estimates included in local authority accounts. We noted that the actuary's estimate included in the 2019/20 accounts is not material. We also noted a briefing by the Council's actuary indicating that their original estimation of McCloud liabilities replicated the government's proposed remedy, and therefore that their estimate remains appropriate.</p> <p>Management have concluded that the issue is not material. No adjustment has been made to the accounts. However, additional disclosure has been included at Note 5 "Events after the Reporting Period".</p> <p>We concluded that there was no material issue for our opinion.</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – 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).

Going concern commentary

Auditor commentary

Management’s assessment process

Management has prepared a detailed going concern assessment to support the 2019/20 accounts and has concluded it remains appropriate to prepare the accounts on a going concern basis. The assessment takes into account the financial impact of Covid -19 and current cash flow forecasts.

- You have a well-established financial planning framework and a history of achieving financial savings plans and delivering services within budget;
- At 31 March 2020 the Council had total usable reserves of £23,453,000;
- The Council has set a balanced budget for 2020/21.

Work performed

We reviewed management’s going concern assessment.

- The information in management’s going concern assessment is consistent with financial reporting to members, and the draft 2019/20 financial statements.
- Under the public sector interpretation of IAS 1 unless services provided by a public sector body are likely to be transferred outside the public sector the financial statements should be prepared on a going concern basis.
- A review of the draft financial statements has not identified the existence of going concern events or conditions which cast significant doubt on the Council’s ability to continue as a going concern.

Concluding comment

- 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 the Council’s ability to continue as a going concern.

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have not been made aware of any significant incidents of fraud during the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any instances from our audit work.
Written representations	A standard letter of representation has been requested from the Council.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. We received positive confirmation for all balances. There are no issues to report.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information requested from management was provided. We did not encounter any significant difficulties during our audit.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>We did not identify any inconsistencies.</p>
Matters on which we report by exception	<p>We are required to report on matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • 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; • if we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Detailed work is not required as the Council does not exceed the threshold specified by NAO.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit in our audit report when issued.</p>

Value for Money

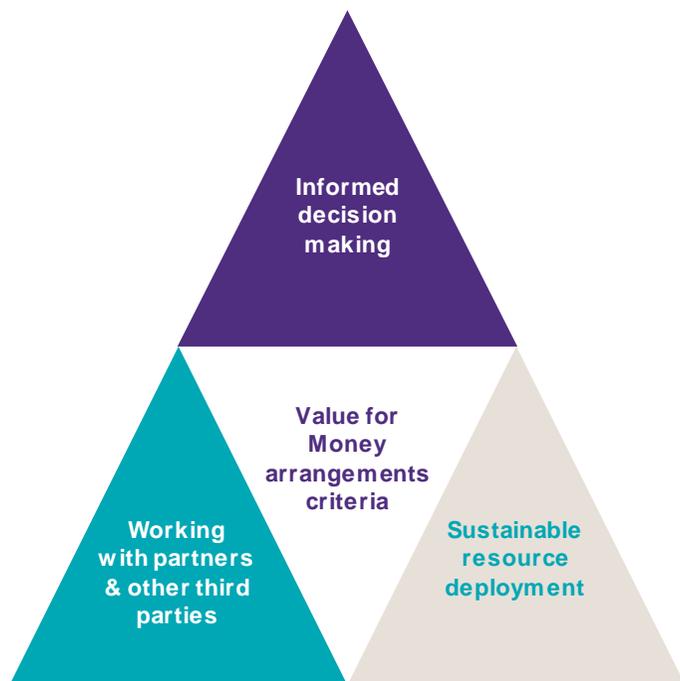
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 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 and communicated this to you in our Audit Plan dated March 2020.

We have continued our risk assessment during the year. We issued an Audit Plan addendum in August 2020 in the context of the Covid-19 pandemic. This did not identify any new risks for our VFM conclusion work.

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 significant risks 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 the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

Financial sustainability

- Your financial performance in 2019/20, including the underspend against revenue budget;
- The level of revenue reserves available to address risks and support future spending plans;
- Your financial planning framework based on a 4 year medium term financial plan (MTFP).

Overall conclusion

Based on the work we performed to address the significant risk we are satisfied you have proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

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.

Value for Money

Key findings

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

Significant risk	Findings	Conclusion
Financial Sustainability	<p>You have a history of strong financial management. In recent years you have had a structured approach to addressing the impact of ongoing reductions in government funding, both by making financial savings and through developing alternative sources of income. In this period you have regularly delivered underspends against revenue budget, including an underspend of £64,000 for 2019/20; you have also made significant contributions to reserves to address future uncertainties, including creating a business volatility reserve to manage fluctuations in income from business rates. The Council has usable reserve balances of £23,453,000 at 31 March 2020. However, you have continued to face financial pressures, and have made contributions from reserves to support the revenue budget in both 2018/19 and 2019/20.</p> <p>The impact of the Covid 19 pandemic on the Council's financial position in 2019/20 has been limited, with lockdown arrangements commencing in late March 2020. However, the impact on the Council's finances in 2020/21 is likely to be significant, with a further impact in future years.</p> <p>You face pressures both from the loss of income and additional costs. The loss of income reflects the impact of wider economic conditions, including reduced income from fees and charges (mainly income from car parks), and from delays in opening the leisure phase of the Sittingbourne Town Centre regeneration project. There may also be reductions in collection rates for council tax and business rates. You anticipate that costs associated with homelessness will increase as a result of the pandemic. There may also be additional costs associated with the Council's leisure centres, which are operated by third parties. A tranche of government funding for leisure centres was announced in October 2020, but prior to this leisure centre operators were not eligible for financial support, with lockdown arrangements leading to significant additional costs and reductions in income. You have agreed to provide additional support of £125,000 to two leisure centre operators to address these pressures. You are considering if further support will be required.</p> <p>The Council has received four tranches of emergency funding from central government totalling £2,922,000. Additional support, estimated to be approximately £650,000, is anticipated under government plans to compensate councils for the potential loss of income from fees and charges.</p>	<p>We concluded that the risk we identified was sufficiently mitigated and that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</p>

Value for Money

Key findings

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

Significant risk	Findings	Conclusion
Financial Sustainability	<p>An updated assessment of the financial impact of the pandemic was reported to September Cabinet. This forecast a substantial revenue overspend in 2020/21 compared with original budget, with an overall adverse financial impact of £700,000. This forecast takes into account the financial support from government notified to that point, but not the most recent, fourth, tranche of support funding totalling £1,027,000. This forecast continues to be updated as new information is received.</p> <p>You are currently modelling the impact of the pandemic on the Council's Medium Term Financial Plan (MTFP). The previous version of the MTFP, updated prior to the pandemic, identified a residual funding gap (after delivering service savings) of £1.2m for 2021/22. You have identified a number of risks to the Council's position in future years associated with the additional costs and loss of income arising from the pandemic. A further update will be provided to Cabinet in December.</p> <p>We concluded that going forward you are now likely to face very significant financial pressures. Considerable uncertainty still remains over the final scale and timing of these pressures, in part depending on the extent and duration of any downturn in the wider economy, and how far permanent changes in behaviour arising from the pandemic have an impact on the Council's income streams. You will need to regularly review the planning assumptions supporting the MTFP. You will also need to take early and credible action to address any budget gaps to ensure you have a sustainable financial framework over the medium term.</p>	

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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Independence and ethics

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 Council. The following non-audit services were identified, as well as the threats to our independence and the safeguards that have been applied to mitigate these threats.

	Fees	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Subsidy claim	2018/19 fee: £20,500 2019/20 fee: TBA	Self-Interest (because this is a recurring fee).	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is (2018/19) £20,500 in comparison to the total scale fee for the audit of £46,769 and in particular relative to Grant Thornton UK LLPs turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Action plan

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We will report on progress with agreed recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies or issues 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
 Medium	<p>At 31 March 2020 the impairment allowance for debtors had not been adjusted to take into account the impact of the pandemic, as management consider it is too early to assess the extent of any adverse impact on the collectability of debt.</p>	<p>We recommend that the impact of the pandemic on the impairment allowance for debtors is assessed as part of the 2020/21 accounts closedown procedures.</p> <p>Management response</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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Total net expenditure
	£000	£000	£000
(1) Asset undervalued as incorrect location factor used in calculations			
Dr PPE		333	
Cr Revaluation Reserve		(44)	
Cr Capital Adjustment account		(289)	
(2) Asset undervalued as expenditure accrual omitted.			
Dr PPE		778	
Cr Short term Creditors		(778)	
Overall impact	(333)	0	(333)

Audit adjustments

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	Note 10 (Expenditure and Income analysed by Nature): Expenditure totalling £2,051,000 had been included on the line for "Employee costs" but should have been included on the line for "Other service expenses"	Note 10 to be amended..	✓
Disclosure	Note 41 (Leases): The note disclosed the value of lease payments receivable by the Council in the following 5 years, but should have disclosed the value receivable over the lifetime of the leases.	Note 41 to be amended.	✓
Disclosure	Various other minor disclosure issues	Accounts to be amended.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. :

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Subject to the completion of outstanding work, there are no unadjusted misstatements.				
Overall impact	£0	£0	£0	

Appendix C

Fees

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
	£	£
Council Audit	54,269	TBC
Total audit fees (excluding VAT)	54,269	TBC

The fees reconcile to the financial statements:

£000

- 54 Council audit fee
- 4 Additional audit fee for 2018/19
- 58 Total fee per financial statements (Note 14)

Non-audit fees for other services	Proposed fee	Final fee
Audit related services	TBC	TBC
Certification of the 2019/20 Housing Benefit Subsidy claim (work to commence December 2020)		
Total non-audit fees (excluding VAT)	TBC	TBC

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 2020 which comprise the Comprehensive Income and Expenditure Statement, 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the

Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings, the Authority's holding in a property investment fund, and the Authority's share of pension fund property investments as at 31 March 2020. As disclosed in Note 4 to the financial statements the outbreak of Covid-19 has impacted market activity; valuations are therefore reported on the basis of 'material valuation uncertainty'. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts 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.

Audit opinion

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 audit 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 Edition' 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 Statement of Accounts 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 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 2019/20, for being satisfied that they 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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. 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 April 2020, 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 2020.

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.

Audit opinion

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 April 2020, 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 2020.

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 Swale Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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.

[Signature]

Darren Wells
Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]



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