

The Audit Findings for Swale Borough Council

Year ended 31 March 2021

Swale Borough Council

31st March 2021



Contents



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Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money arrangements	16
4. Independence and ethics	18
Appendices	
A. Follow up to prior year action plan	20
B. Audit adjustments	21
C. Fees	22
D. Action plan	23
E. Audit letter in respect of delayed value for money work	24

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

This Audit Findings 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. Its contents will be discussed with management and the Audit Committee.

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1. 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 2021 for those charged with governance.

Financial Statements

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 give a true and fair view of the financial position of the Swale Borough Council and their income and expenditure for the year ending 31 March 2021; 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during June-October. Our findings are summarised on pages 5 to 15. We have identified disclosure and wording adjustments to the financial statements only, resulting in a £nil adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are included in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Quality review by senior auditors of completed work
- receipt of management representation letter
- review of the final set of financial statements.

We have 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.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by 20/01/2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our planning assessment, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. At the planning stage we did not identify any significant risks and based on our current understanding this remains the case.

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.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

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 will be discussed with management and the Audit Committee.

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;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Delayed completion

The targeted completion date for the audit of the financial statements was 30/09/2021.

Due to limited auditor capacity this has been delayed to October 2021.

Lisa Fillery, who began as the new S151 officer as Director of Resources on 01/10/2021 will be in post to sign off completion procedures with the auditor.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 October 2021. These outstanding items include:

- Quality review of completed work
- Receipt of management representation letter; and
- Review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as verifying the completeness and accuracy of information provided remotely produced by the entity and cover for sickness absence. This has caused an unanticipated delay in completing the audit testing. The audit team would like to note that the quality of workpapers received from the Council staff was good and that the team was responsive to our queries.

2. Financial Statements



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.

Materiality levels remain the same as reported in our audit plan March 2021.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,560,000	This has been calculated based on 1.95% of your gross expenditure (cost of services) in the draft accounts
Performance materiality	1,170,000	This has been calculated as 75% of materiality for the financial statements, based upon our assessment of the likelihood of a material misstatement.
Trivial matters	78,000	This has been calculated as 5% of headline materiality

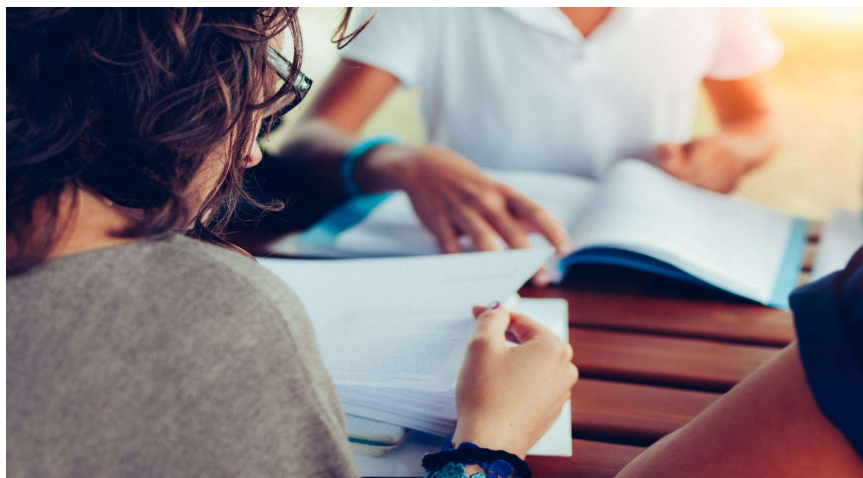


2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals through walkthrough testing. The controls in place are considered reasonable. • Analysed the journals listing and determined the criteria for selecting higher risk unusual journals. For Swale Borough Council, our risk scoring identified post year end journals and those posted by irregular system users to be as having the greatest potential of being high risk based on the small number of people with access to the system. Our testing therefore focused on these items, no items to raise to the Audit Committee were found. • identified and tested journals made during the year and at the accounts production stage which scored high in our risk assessment. We tested this sample of journals for appropriateness by corroborating to supporting third party evidence of workings justifying the journal. All journals tested were considered appropriate and could be supported with sufficient evidence. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • We did not identify nor have we been made aware of, any significant unusual transactions. <p>From the work performed, there were no items arising in respect to this risk which requires reporting to the Audit Committee.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (including Council Investment Properties)

The valuation of the Council's land and building, investment properties and council dwelling assets represents a significant estimate by management in the financial statements.

We designed our work to address the risk that the valuation of these assets was materially misstated.

During our audit procedures we have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuer and the scope of their work.
- Evaluated the competence, capabilities and objectivity of the valuation expert.
- Written to the valuer to confirm the basis on which the valuation was carried out.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the valuer's report and the assumptions that underpin the valuation.
- Tested a sample of revaluations made during the year to ensure they have been input correctly into your asset register.
- Evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to the current value at year end. The auditor has confirmed that assets have been revalued within the five year cycle specified by the CIPFA code.

Our audit work has not identified any issues in respect of valuation of land and buildings.

Valuation of pension fund net liability

The Council's net defined benefit liability represents a significant estimate in the financial statements. The estimate is complex given the large number of scheme members and the sensitivity of the estimate to key assumptions. We focused the significant risk to assumptions used by the actuary.

For the significant risk, 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 the 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;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

We have also:

- 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 and disclosures in the notes to the core financial statements with the actuarial report from the actuary.

At the date of writing, there are no issues arising from our work in respect of this risk which require reporting to the Audit Committee. We will update this position to the date of issuing our auditor's report.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Error in expenditure recognition	<p>Audit procedures undertaken included:</p> <ul style="list-style-type: none"> • An inspection of transactions around the financial year end to assess whether they had been included in the correct accounting period. This also involved a review of post year end bank statement and invoice transactions. No cut-off issues were identified. • Sample testing of year end accruals for expenditure not yet invoiced and agreement to the bill value once received • Assessment of year end accruals in comparison to prior year total and size to ensure completeness. No obvious error or omission was identified. • Manual journals posted as part of the year end accounts preparation reducing expenditure were investigated and considered for reasonableness <p>From the work performed, there are no issues arising from our work in respect of this risk which require reporting to the Audit Committee.</p>
Accounting for grant revenues and expenditure correctly	<p>Audit procedures undertaken to date include:</p> <ul style="list-style-type: none"> • Discussions with management to understand the different types of material grants received during 2020/21 and what the conditions are in the grant agreements. Therefore concluding whether the Council should be acting as agent or principal for accounting purposes; • Walkthrough procedures to test the conditions for payment out to other entities and how these are monitored • Testing material grant revenues by corroborating to grant agreement, remittance and bank statement receipt to confirm whether the Council has accounted for these correctly. <p>From the work performed, there are no issues arising from our work in respect of this risk which require reporting to the Audit Committee.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Buildings – £67.0m Heritage Assets – £2.1m Investment Properties - £3.6m</p>	<p>The council's accounting policy for non-current assets is at Note 1n. The policy covers accounting and valuation issues. The policies for heritage and investment assets are 1h and 1j respectively.</p> <p>Management have asked the valuer to consider the year end value of non-revalued properties and the potential valuation change in the assets revalued as at 01 January 2021 movement to 31 March 2021, applying industry average indices and to determine whether there has been a material change in the total value of these properties. The valuer's assessment of assets not revalued has identified no material change to the property's value.</p>	<p>In the course of our work we have performed an assessment of management's expert, checked the completeness and accuracy of the underlying information used to determine the estimate as well as considering the reasonableness of increase/decrease in estimate.</p> <p>The adequacy of disclosure of estimate in the financial statements has also been considered and is deemed reasonable.</p> <p>There were also a number of issues identified in the prior year Audit Findings Report which have been considered below.</p> <p>Valuation of Depreciated Replacement Cost (DRC) assets</p> <p>It was identified in the prior year that for specialised assets revalued using the DRC method, the costs were originally being calculated using an "All-in Tender Price Index" from the Building Cost Information Service (BCIS). In 2021, the valuer has confirmed that cost estimates have been resourced from a specialist quantity surveyor and BCIS rates updated and adjusted for the Swale Location.</p> <p>Investment properties</p> <p>As per the policy for annual valuation, management have had the full investment property portfolio revalued. To check this occurred, we obtained the listing of investment properties on the fixed asset register and agreed that all of them were included in the revaluation report. The revaluation methodology and assumptions used in the valuation are considered reasonable. There are no indicators of material misstatement.</p> <p>Heritage Assets</p> <p>Management have engaged an expert valuer of clocks to value the clock tower in Sheerness. They did not perform a full valuation exercise but their estimate has been accepted as it has been agreed to the insured value of the clock tower. The asset valuation in the accounts explains the upwards movement in heritage assets.</p>	

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £66.6m	<p>The Council's net pension liability at 31 March 2021 is £66.6m (PY £59.0m) comprising the Kent County Council Local Government Pension Scheme. The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at March 2019. 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 you actuary, Barnett Waddingham, to be competent, capable and objective We have used PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with Actuary assumptions <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>1.95%</td> <td>1.95%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.80%</td> <td>Set at CPI. PwC report explains that this is centre of range.</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.80%</td> <td>3% – 4%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.9 20.5</td> <td>21.5 - 22.1 20.5 - 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.8 23.3</td> <td>24.8 - 26.4 23.3 - 25.0</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We assessed the completeness and accuracy of the underlying information used to determine the estimate and checked the reasonableness of the Council's share of LPS pension assets. We consider the disclosure of estimate in the financial statements to be adequate. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	1.95%	1.95%	●	Pension increase rate	2.80%	Set at CPI. PwC report explains that this is centre of range.	●	Salary growth	3.80%	3% – 4%	●	Life expectancy – Males currently aged 45 / 65	21.9 20.5	21.5 - 22.1 20.5 - 23.1	●	Life expectancy – Females currently aged 45 / 65	24.8 23.3	24.8 - 26.4 23.3 - 25.0	●	
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Assessment

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- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
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 incidences from our audit work.
Written representations	A letter of representation will be requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted and requests sent. We have received direct confirmation for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is due within 3 months of this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - 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, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>We have nothing to report on these matters</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
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> <ul style="list-style-type: none"> Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Swale Borough Council in the audit report due to incomplete VFM work.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and action plan

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses from our initial procedures.

4. 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

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 shown in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

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:

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	TBC	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 was £26,000 in the prior year in comparison to the total fee for the audit of £54,769 and in particular relative to Grant Thornton UK LLP's 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.
		Self review because GT provides audit services	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Follow up of prior year action plan – Audit of Financial Statements

In 19/20 we identified one recommendation for the Council as a result of issues identified during the course of our audit. We agreed the recommendation with management and report below on the progress made by management.

Assessment	Issue and risk	Follow up
	At 31 March 2020 the impairment allowance for debtors had not been adjusted to take into account the impact of the pandemic, as management considered that it was too early to assess the extent of any adverse impact on the collectability of the debt.	Management considered actual recovery rates during the year to make their provisions assessment for 2020/21. No issues were identified.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. 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.

There have been no items identified by the auditor that management have not adjusted for (there are no unadjusted items to report)

Impact of adjusted misstatements

There were no audit identified, adjusted misstatements in the financial statements

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.

Disclosure errors	Auditor recommendations	Adjusted?
Annual Governance Statement. Section 6 is not clear on whether there are any significant governance deficiencies in year	A new paragraph is to be added in section 6 to clarify that there were no significant governance issues in year.	✓
Note 29 narrative had not been updated	To update the Assets Held for Sale disclosure to accurately reflect the position as at 31/03/2021	✓
Note 41 – Leases – amount disclosed as ‘later and 1 year and note later than 5 years’ is disclosed as £600,000 but should be £620,000 to reconcile to workings	Figure to be updated	✓
Note 45 capital receipts reserve movement varies to the Movement in Reserves Statement by £14,000	Note 45 and Movement in Reserves statement to be reconciled	✓

C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	46,769	46,769
Raising the bar / regulatory factors	7,500	7,500
Revised ISA requirements	6,500	6,500
VFM Report review	9,000	9,000
Any final adjustments to be agreed with PSAA	-	TBC
Total audit fees (excluding VAT)	£69,769	TBC

The audit fee disclosure in the accounts has been reconciled to the above.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services: Certification of Housing Benefit Subsidy Claim	TBC	TBC
Non-Audit Related Services: None	Nil	Nil
Total non-audit fees (excluding VAT)	TBC	TBC

D. Action plan – Audit of Financial Statements

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 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
	Accrued annual leave figure has been agreed to be recalculated every 4 years. The last calculation was performed in 16/17. Movement in figure is estimated to have been £22k which is trivial and so no adjustment has been made however the figure will be out of date next year.	Full recalculation to be performed in 21/22 Management response Agreed – calculation will take place in 21/22

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

E. Audit letter in respect of delayed VFM work



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For the attention of those charged with governance (the Audit Committee, Swale Borough Council).

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHA bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both the preparers and auditors of the accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021.

For the purposes of compliance with the 2020 code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Darren Wells
Director



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